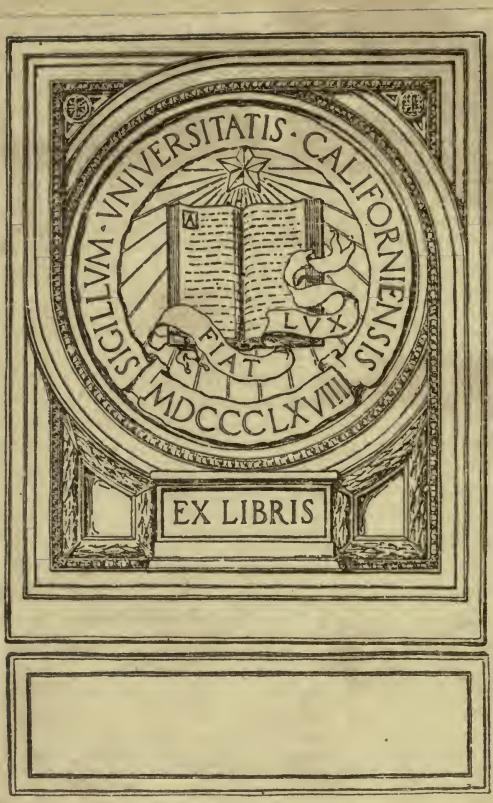

SIGILLVM · VNIVERSITATIS · CALIFORNIENSIS
LVX
FIAT
MDCCCLXVIII
EX LIBRIS

# THE NATION AS A BUSINESS FIRM

# THE NATION AS A BUSINESS FIRM

## AN ATTEMPT TO CUT A PATH THROUGH JUNGLE

BY

W. H. MALLOCK

AUTHOR OF "ARISTOCRACY AND EVOLUTION" "LABOUR AND THE POPULAR WELFARE" ETC.

UNIV. OF CALIFORNIA

LONDON
ADAM AND CHARLES BLACK
1910

HB 601
.M3

UNIV. OF
CALIFORNIA

Printed by Ballantyne & Co. Limited
Tavistock Street, Covent Garden, London

# CONTENTS

## SECTION I

PAGE

WHAT IS ATTEMPTED IN THIS VOLUME

The duty of statisticians is like that of the officials of a company—Falsification of the company's books—Difficulties of national statistics, and degrees of unavoidable error—The kind of claims made for the present volume—Objections raised in advance against portions of this volume 1–7

## SECTION II

EXAMINATION OF THE ARCH ILLUSION

BEING AN HISTORICAL SURVEY OF THE INCOME OF THE POORER CLASSES FROM THE BEGINNING OF THE NINETEENTH CENTURY UP TO THE PRESENT TIME

### SUB-SECTION I

PRELIMINARY OBSERVATIONS

The kinds and degrees of accuracy possible in general estimates—Individual variations from averages, more important in some cases than in others—Application of the above remarks in statistical averages to the present subject—The doctrine of Marx, essentially a doctrine of averages, and susceptible of correction only by means of corrected averages 8–15

### SUB-SECTION II

THE INCOME OF THE POORER CLASSES SINCE THE YEAR 1800

What is generally meant by the "poorer classes" in discussions such as the present—The periods which will be here dealt with—Sir R. Giffen's evidence for the year 1886, restated by him some years later—General estimate of the income of the "poorer classes" at the present time—General estimate of

the "poorer classes" in the year 1850—Income per head of the "poorer classes" at the three periods already mentioned—Income of the entire nation in the year 1800—Four periods compared—General conclusions as to the incomes of the "poorer classes"—The foregoing conclusions pertinent, precisely because they are general—The conclusions of agitators generally, an absolute inversion of historical facts 15

SECTION III

THE DISTRIBUTION OF THE NATIONAL INCOME TO-DAY

SUB-SECTION I

PRESENT DISTRIBUTION OF THE INCOME OF THE POORER CLASSES

Explanation of the methods by which our preliminary rough conclusions will be reached—The numbers of the labouring wage-earners and lower middle-class about the year 1888—Wages of labour about the year 1888—Number of persons earning different amounts—Incomes of lower middle-class about 1888—Incomes of wage-earning and lower middle-class combined about 1888—Large family incomes, jointly earned, not assessed, though exceeding the assessment limit—Incomes of wage-earning and lower middle-class at the present day 39

SUB-SECTION II

DISTRIBUTION OF THE INCOMES OF THE RICHER CLASSES

The assessed income of the country at the present day, with special reference to the year 1905—Incomes between £160–£700—Reasons for supposing that the number of incomes between £160–£700 is generally under-estimated—Rough provisional verification of the amended figures—Incomes about £700 a year—The net total of all private assessed incomes—Incomes over £700—What is left after deducting the sum of incomes below £700 from the net total—The actual number of private houses having different rental values—The presumable relation of the value of houses to the incomes of their occupants—Average proportion of rent to the entire income of the nation—House-rent as related to incomes exceeding £700

PAGE

a year—House rent as related to incomes exceeding £5000 a year—Limits imposed on possible number of largest incomes by paucity of suitable houses—The main divergence of these estimates from those of other statisticians—The evidence of houses reviewed in relation to the number of families with incomes between £160 and £700—Various independent tests of the accuracy of the foregoing estimates—Summary of the conclusions thus far reached with regard to the distribution of incomes 53–94

SUB-SECTION III

THE PROBLEM OF POVERTY AS RELATED TO THE GENERAL DIFFUSION OF WEALTH

Certain common confusions of thought with regard to the distressed classes—The ranks of the very poor made up of two distinct classes—The class whose earnings are normally low or precarious—The class whose poverty arises from contractions of normal employment 95–103

SECTION IV

THE ECONOMIC ORIGINS OF THE RESPECTIVE INCOMES OF THE VARIOUS CLASSES OF THE POPULATION

SUB-SECTION I

"EARNED" INCOMES

What is commonly meant by earned incomes—Number of families earning incomes by manual effort and effort of other kinds—The workers who are employed by others—The employing workers—The independent and semi-dependent workers—Classes of workers summarised, other than the productive employers—Earnings of workers other than productive employers—The productive employers—The earnings of the manufacturing employers—The assessments under Schedule D of "persons" and private firms—The larger incomes earned by "persons" and private firms—The public companies and individual earnings—The smaller public companies—The greater

companies and the earnings of individuals connected with them—Elements of personal earnings in the profits of the greater companies—The preceding tables relating to earnings of all classes combined 104-

SUB-SECTION II

THE SO-CALLED UNEARNED PORTION OF THE NATIONAL INCOME

Methods by which the "unearned" incomes are computed—Over-estimates of "unearned" incomes explained—The three main questions with regard to "unearned" incomes—Income of foreign origin—The distribution of the "unearned" income—The "unearned" element in incomes exceeding £700 a year—The earned and unearned incomes of the population taken as a whole 135-

SECTION V

CERTAIN OF THE ESTIMATES GIVEN IN THE PRECEDING SECTIONS RE-EXAMINED

SUB-SECTION I

THE ANNUAL VALUE OF LAND, AND THE PROPORTION BORNE BY IT TO INCOME FROM OTHER SOURCES

Curious extravagance of popular estimates as to land —Two main reasons which render such errors possible—General results of the New Doomsday Survey restated—The true net incomes derived from agricultural land and building sites—Wild illusions as to the increase of rents in modern countries 159-

SUB-SECTION II

THE NUMBER AND INCOMES OF THE RICH TESTED BY ACCESSORY EVIDENCES

Incomes of the rich, as estimated in previous tables, tested by number of male servants, and carriages of the more expensive kinds—Estimated number of male servants employed in different households—The evidence afforded by carriages as to the number of large incomes 170-

PAGE

SUB-SECTION III

THE EVIDENCE OF HOUSES, AS RELATED TO THE EXPANSION OF THE MIDDLE-CLASS

General observations—Possible objections to certain arguments used in this volume—The case of London 179–192

SUB-SECTION IV

EARNED INCOME AND UNEARNED INCOME, AN ANALYSIS OF THE MEANINGS IMPLIED BY THESE PHRASES

Ordinary idea of "earned" income—Inadequacy of the ordinary idea—House rent as earned income—House rent and interest on other forms of fixed capital—Henry George on the interchangeability of all forms of capital—The Income from capital a form of indirect or deferred earning—Land as a theoretical exception—The hiatus in the logic of Henry George—The true productive unit, not one life but a sequence of two or of three—Rarity of cases in which unearned income is being conserved in the same families 192–204

SUB-SECTION V

THE RELATION OF PROFITS TO WAGES, AS ESTIMATED IN THE PREVIOUS TABLES, COMPARED WITH CERTAIN RECENT STATISTICS

The evidence of recent official statistics with regard to the great industries 204–209

SUB-SECTION VI

A COMPARISON OF CERTAIN OF THE DETAILED ESTIMATES GIVEN IN THIS VOLUME WITH CORRESPONDING ESTIMATES REACHED BY OTHER STATISTICIANS USING INDEPENDENT METHODS

Certain estimates of Sir H. Primrose and Mr. Bowley—The recent estimates of Mr. Ireson—Certain conclusions summarised by Sir R. Giffen 210–214

PAGE

## SECTION VI

### REVIEWS AND SUMMARIES

### SUB-SECTION I

Degrees of accuracy possible in statistics of the present kind—The family as the assumed unit in computing the distribution of incomes—Inaccuracies due to defective data—Estimates cease to be mere guesses in proportion as their range is limited by known facts 215–219

### SUB-SECTION II

### THE NATIONAL INCOME AND ITS DISTRIBUTION FROM FOUR POINTS OF VIEW

The mere distribution of capital no index of the practical distribution of wealth—Four points of view from which the distribution of the national income may be considered 219–223

### SUB-SECTION III

### THE NATIONAL INCOME RE-EXAMINED WITH REGARD TO THE MANNER IN WHICH THE VARIOUS PORTIONS OF IT ORIGINATE

Re-statement of previous observations as to income of foreign origin—Workers other than manual no less essential to the wealth of the community than the manual—The distinctive feature of the modern industrial system as emphasised by Socialists—The distinctive modern industrial system, and the resultant division of products between employers and employed —General division of wages and profits in this country to-day—Absurdity of the Socialistic estimate when tested by facts and possibilities—General facts as to wages and profits analysed farther—Large businesses, small businesses, professions, domestic servants, short summaries 223–242

### SUB-SECTION IV

### THE NATIONAL INCOME RE-EXAMINED WITH REGARD TO THE DISTRIBUTION OF INCOMES GROUPED ACCORDING TO THEIR AMOUNT

The distribution of capital no index of the distribution of incomes—The individual amounts and numbers of

PAGE

a few great incomes irrelevant to the question of distribution of incomes generally—Erroneous proportions assigned to the income of the richer classes—Aggregate income (of domestic origin) going to families with more than £700 a year—Significance of the income of the richer classes measured by the theoretical results of its distribution—The annual savings of the nation not distributable as income—Existing distribution of nearly eight-ninths of the national income—The exceptional case of the non-progressive residuum 243–253

SUB-SECTION V

THE DISTRIBUTION OF WEALTH IN RESPECT OF ITS PROGRESSIVE CHANGES UNDER THE ECONOMIC CONDITIONS OF TO-DAY

The growth and distribution of wealth regarded as a progressive movement—The general progress obscured by the persistence of a residuum thus far excluded from it—The true remedy for poverty—Its general nature indicated—Sporadic poverty as distinct from the class poverty of the residuum—The probable limits of progress within any given geographical area 253–263

# SECTION I

## WHAT IS ATTEMPTED IN THIS VOLUME

### § 1. The duty of statisticians is like that of the officials of a company

All social improvements, whether these be Conservative, Radical, or avowedly Socialistic in their character, which it is proposed to effect through any modifications of the economic constitution of society, are what would be called in America so many "business propositions." For all those who advocate changes of such a kind the nation becomes a company or business firm in which the citizens are shareholders, whilst those by whom changes in the current management of affairs are advocated are in the position of the chairman or directors of a company, or else of persons who are seeking to be elected to such posts, and who are asking the shareholders at a general meeting to support them.

Whether (as happens in the case of an existing board) it is their object to secure from the shareholders a continued lease of office, or else the dismissal of the existing board in order that it may be superseded by themselves, a similar task is of necessity imposed on all of them. They have

to deal with the affairs of the company in what purports to be a business way. They have to put forward specific facts and figures relating to company's assets, its management, the amount of profits derived by it from various sources, and the extent to which these severally tend to increase, to maintain themselves, or to decrease.

It is only by making statements with regard to such matters as these that any impression can be made on the minds of the shareholders at all. All, therefore, who seek to retain the management of affairs, so that this may be continued in accordance with existing principles, or who seek to acquire the management in order that it may be substantially changed, are equally pledged to the performance of one identical task: and this is to examine the condition of affairs existing, and explain it in detail to the shareholders as best they can, and in such a way that each statement shall be capable of verification, or invite specific revision. The one unpardonable sin is to falsify the company's books by allowing rhetoric, imagination and invention, to take the place of ascertainable, or approximately ascertainable, facts with a view to obtaining support for projects which commend themselves to the projectors on other than business grounds.

### § 2. Falsification of the company's books

This, however, is precisely the course of conduct conspicuously pursued by persons who call themselves extreme reformers. If with regard to any

one of the company's properties they dislike the present system of management, instead of testing their opinions by a sober consideration of facts, they invent or distort the latter in order to justify their opinions. "Land-reformers," for example, are still constantly informing the public that the "bulk of the land of London" is owned by seven or eight persons, who appear, when the matter is examined, to own less than eight square miles; whilst the 108 square miles, which form the residue of the metropolitan area, are known to be divided amongst freeholders whose number amounts to more than 34,000.

If statements of this kind were, with a view to retaining his position, or securing the ratification of his own system of policy, made by the chairman of any ordinary business company, he would meet with the same criticism and probably with the same fate as that which crowned the career of Mr. Whittaker Wright.

### § 3. Difficulties of national statistics and degrees of unavoidable error

On those who at once recklessly and deliberately apply similar methods to the business affairs of the nation, a similar judgment must be passed, though in many cases not without qualifications. In the first place, those who thus falsify the books of the nation do not derive from the process any direct pecuniary gain. In the second place, the affairs of the nation are infinitely more complicated than those of any private firm; the available

information with regard to them is incomparably more defective; and there is thus far more room for pardonable and indeed for inevitable error. Many of the errors, however, to which popular currency is given, and most of those on which "extreme reformers" are accustomed to lay the greatest stress, are of such a magnitude that no considerations of this kind can extenuate them. Whatever else may be true, these can definitely be shown to be false. They are not mere distortions of fact. They are monstrous and fantastic inversions of it. There are other errors, also promulgated by "reformers"—but "reformers" of a somewhat different type—which are in one sense by no means so great as these, but which, in virtue of their moderation, are perhaps even more mischievous, and which are erroneous not because they ignore actual details, but because they exhibit these in extravagantly wrong proportions, so that they come to resemble a man's face seen in a spoon.

### § 4. The kind of claims made for the present volume

The object of the present volume is mainly to rectify errors of these two comprehensive kinds. The method here employed with a view to arriving at more sane conclusions necessarily involves the accumulation of a long series of details of which, whilst some represent definitely ascertained facts, others represent mere inferences from these, and belong to the class of estimates and working

hypotheses. What is claimed for this volume is that, however certain details in it may require revision in the light of enlarged knowledge, it resembles a picture which is correct in respect of its general proportions, that the various degrees of accuracy which are attributable to the various details are plainly distinguishable from the manner in which the details are presented, and that the authorities used, and the lines of reasoning followed, are plainly exhibited from first to last to the reader, so that he is nowhere asked to submit himself to mere assertions, the grounds for which the author hides from him.

### § 5. Objections raised in advance against portions of this volume

Certain of the conclusions which he will here find put before him have been published by me already in a tentative form in the *Nineteenth Century;* and these have been made the subject of criticism in the same review by two writers—Mr. Bowley and Mr. Money—whilst the following pages happened to be in the printers' hands. It has not, however, been too late to introduce a brief reference in footnotes to such parts of them as possess any serious importance. Some notice of them may be taken in this place also.

There is an argument used by me in the *Nineteenth Century,* and reproduced in a revised form here, which relates to houses as indicative of the means of the occupants. Against this Mr. Money seeks to raise certain objections which are

so far from being irrelevant that they require careful consideration. It may here be said that they not only deserve consideration, but will be found to have received it already in a section of this volume.

Of Mr. Bowley's observations there are three which deserve notice.

Many of my figures (as given in the *Nineteenth Century*, and reproduced with revision here) are, he complains, mere guesses. This kind of criticism has also been anticipated here. If all figures are guesses unless they are based on information which is at once direct and exact, then for many of the figures in this volume "guesses" is the right word; but they are guesses in a sense which has very important limitations. They are guesses at quantities whose exact amount is unknown, but which is known to lie somewhere within a definite circle of possibilities; and when the guesses at quantities lying within given limits are numerous, and consequently have to be checked, not by these limits only, but by one another, the likelihood of very grave error is checked rather than increased.

As an example of the kind of guess-work of which he complains, Mr. Bowley selects the train of reasoning by which the amount of the non-assessed income of this country to-day is deduced from Sir R. Giffen's figures for the years 1886–93. In particular, says Mr. Bowley, I have assumed that the groups dealt with by Sir R. Giffen have, alike as to number and incomes, increased in identical proportions. Such a guess or assumption is no

doubt here made provisionally ; but the reader is warned at the time that conclusions thus reached must be taken as mere working hypotheses until evidences of other kinds (subsequently brought forward) shall have checked them.

Lastly, it may be noted that Mr. Bowley winds up the above criticism by admitting that, despite what he regards as objectionable in my method of computation, the result at which I finally arrive as to aggregate amount of the non-assessed income to-day is practically identical with that which by other methods he has reached himself.

The conditions of a country, for the statistician, resemble a landscape which is largely obscured by mist, but of which many even of the smaller features are distinguishable, whilst the course of the rivers and the general configuration of the mountains are not open to doubt. The kind of fallacies against which this volume is mainly directed belong to a kind which would represent the mountains as valleys and the rivers as running uphill.

# SECTION II

## EXAMINATION OF THE ARCH-ILLUSION

BEING AN HISTORICAL SURVEY OF THE INCOME OF THE POORER CLASSES FROM THE BEGINNING OF THE NINETEENTH CENTURY UP TO THE PRESENT TIME

### SUB-SECTION I

### PRELIMINARY OBSERVATIONS

### § 6. The kinds and degrees of accuracy possible in general estimates

BEFORE proceeding to deal with actual figures, it is desirable that we should realise precisely what the figures here will mean.

The only computations at which we can hope to arrive—indeed the only computations which would have any general significance—are computations relating to large groups of individuals, which are distinguished from one another by the different amounts of income received respectively by their members. Thus we may have one group with incomes not exceeding £100; another with incomes between £100 and £150; a third with incomes between £150 and £200, and so on; and, if we wish to be more precise, we must reduce the incomes in each group to an average.

Now such computations, however true as to

groups, will never with strict accuracy be applicable to all their members. For example, let us take a group consisting of 100 persons, all of whom have more than £100 a year, and none less than £150, whilst their aggregate income is known to be something like £13,000. It would be obviously impossible, in dealing with national statistics, to record the exact amount of each separate income separately. We should have to say that in this particular group the average income was £130, though none of its members might enjoy that exact sum, 60 having £1 less, 20 having £5 less, and 20 some £6 more. The average would in no one instance coincide precisely with fact; but still for general purposes it would be sufficiently and substantially accurate.

That such is the case will be more evident still if, instead of dealing with only one group, our object is to compare two, or the same group at two different periods. If we found that out of every 150 persons, 100 had incomes ranging between £100 and £150, the average income being £130, and that 50 persons had incomes ranging between £150 and £200, the average income being £195, our statement in terms of averages, though it might be exact as to no individual, would be an accurate presentation of the important social fact that the poorer section of the population was twice as numerous, and half as rich, as the richer; and that the richer was twice as rich and only half as numerous as the poorer. Or again, if 100 operatives working in a particular mill

earned incomes ten years ago from £70 up to £100, their aggregate income being £9000, and if the same operatives doing the same work earn incomes to-day between £90 and £120, their aggregate income being £11,000, the statement that their average income had risen from £90 to £110 would convey the truth of the matter to the student of social phenomena more accurately than any assemblage of slightly different, but individually exact items.

### § 7. Individual variations from averages more important in some cases than in others

At the same time it must be borne in mind, however, that the individual variations from generalised facts or averages are more important in some cases than in others. For example, to take again our group of 100 operatives, it might possibly happen that the average income of these men had risen in ten years from £90 to £110, but that, whereas at the earlier date all had been employed, and none had earned less than £70, five of them at the later date could find no work at all, and earned nothing. In such a case, though £11,000 might go to the group instead of the previous £9000, to say that the average income of the 100 men was £110 would be to understate by about £5 the real average income of the 95 men who earned anything, and would entirely obscure the fact that 5 out of the 100 would be starving. Nevertheless, the generalised statement would still be true in the main, and

would provide us with what is an absolute necessity, namely, a standard of prevailing welfare by which the exceptions to it, arising from such causes as unemployment, could be measured.

Generalised statistics, in short, will always require modification according to the extent to which exceptional conditions prevail, or according as those who experience them form the subject which is under discussion; but general facts must in any case be first delineated with such accuracy as the nature of the case permits, like the main features of a country when a map of it is being first prepared; otherwise the minuter details, however carefully stated, will throw no more light on any national facts or problems than the largest map of an English estate or parish would throw on the shape and geographical position of the country, or the number and situation of its various towns and counties.

### § 8. Application of the above remarks in Statistical Averages to the present subject

The pertinence of the foregoing observations will be signally illustrated on the very threshold of our present inquiry.

Before the question of the distribution of incomes can become so much as intelligible, the population must be, in a rudimentary way, divided into certain groups, which are recognisable in the mass as substantially distinct from one another, though the lines of division, where they touch, cannot be exactly drawn.

This has been recognised by all those extreme reformers, whose misinterpretations of facts have done more than anything else to provoke a dispassionate study of them. Of such misrepresentations the most influential, though not the earliest, was that which Karl Marx and his school have summarised in the epigrammatic assertion that, under the modern system of capitalism, as a matter alike of history and inherent necessity, "the poor do and must become ever poorer and poorer, the rich richer and richer, and that the middle classes are being and must be crushed out."

This assertion, so far as it concerns the poor (by which Marx and his friends meant the wage-earners), did not originate with Marx or with any school of social agitators. It originated with Malthus and Ricardo, and represents a deduction from their doctrine that population is always pressing on the current means of subsistence; when it followed—so the argument ran—that the rate of wages in the long run is rigidly fixed by the minimum of primary necessaries which will keep the wage-earners in a condition to work and to produce children. From time to time such a minimum would no doubt be exceeded; but as soon as the higher rate had maintained itself for a period long enough to suggest its assured continuance, the propagation of children would proceed with such an enhanced rapidity that the growth of the wage-fund would be overtaken by the multiplication of the claims made

on it, and the wages of each claimant would sink again to the old level.

Having at the back of it this measure of support in theories which at one time were very widely accepted, and which emanated from thinkers who were certainly not socialists, it is not surprising that the Marxian formula, as a whole, was rapidly accepted by extreme reformers of all kinds as an accurate description of the destiny to which society was bound to submit itself unless the prevalent economic system was transformed by some fundamental revolution.

The Marxian formula has, however, since it was first launched on the world been so signally falsified by events in every one of its clauses, that not even socialists (except when they are addressing uncritical audiences) any longer venture to assert it if taken in its literal sense. Few even of the extremest reformers, with any reputation to lose, would any longer maintain that, under the system of capitalistic production which has now prevailed in this country for a hundred and fifty years, wages have remained fixed at an irreducible minimum, being virtually now no higher, and probably somewhat lower (for such would be necessarily the case were the formula of Marx correct) than they were at the beginning of the nineteenth century ; or that persons with incomes of two or three hundred a year have since that period been so steadily diminishing in number that already they are curious rarities, and that soon there will be none left.

But whatever modifications may be made of the original crude indictment, these do require to be considered individually here, for they will all be sufficiently tested by an independent examination of the facts ; and, since in the pursuit of truth it is necessary to keep in mind what general misconceptions are to be dissipated, we will take the original crude indictment as it stands, namely, that, under the existing system of capitalism, "the poor have been growing, and must continue to grow, poorer—the rich have been growing and must continue to grow at once fewer and richer ; whilst persons of medium income have been constantly decreasing in number, and must ultimately become extinct," and the course and the method of our own inquiries shall be determined by the specific issues which this indictment raises.

### § 9. The doctrine of Marx, essentially a doctrine of averages, and susceptible of correction only by means of corrected averages

The Marxian formula, then—the parent formula of the agitator—will fulfil for us at the outset one very important purpose. Apart from the truth or falsehood of the several assertions embodied in it, it shows clearly the character of the conclusions which it seeks to impose on the public, and which it challenges dissentients to disprove. It shows that such conclusions can be general conclusions only, and at the same time bears witness to the actuality and vital importance of

the facts which such conclusions, if true, represent. Even Marx himself, for example, would not have denied that some wage-earners might, under the existing system, accidentally earn more than they would do under a *régime* of Socialism, or that some class of small employers might be actually created as parasites by the demands of the inordinately rich, but regarding, as he would have done, such cases as exceptions, he would rightly have urged that they did nothing to invalidate his general estimates. What applies to the estimates of Marx applies in a similar way to any which, covering the same ground, may be offered as corrected substitutes for them. These will be similarly general, and subject to modifying exceptions. They will similarly provoke and require a farther examination of details, and the exceptions to them will leave similarly their general truth untouched.

## SUB-SECTION II

## THE INCOME OF THE POORER CLASSES SINCE THE YEAR 1800

### § 10. What is generally meant by the "poorer classes" in discussions such as the present

Let us begin, then, with the incomes of the class which Marx comprised under the broad designation of "poor," and inquire what absolutely, and without reference to other classes, the financial position of the "poor" in our own country is to-day, and what it has been during

the course of the last century—a period which socialists recognise as the test-period of capitalism. We will compare this increase with the increase of other classes subsequently.

And first let us make ourselves clear as to who the "poor," for the purposes of the present discussion, are. Some Marxians would define them as the wage-paid manual labourers; but viewed in the light of the principles which Marx sought to establish, this definition would be very much too narrow. The class which, according to him, was really growing poorer under capitalism consisted not only of those who earned wages by physical effort, but of all who lived on wages earned no matter how. It comprised the shop-assistant, the clerk, the toll-collector, and a host of other functionaries, no less than the mill-hand, the smith, the miner. It consisted, in short, of the employed as distinguished from the capitalistic employers, and from those who, without being employers, lived on the interest of capital.

Such is not only the definition which the logic of Marx himself necessitates. It also corresponds with the meaning which, in this country at any rate, has been and still is attached to the word "poor" by all who have given, and by all who still give continued currency either to the letter or the spirit of his estimate.

That such is the case is shown with sufficient precision by the fact that the line which substantially divides the "poor" from the rich, or

the "many" from the "few," has been for more than thirty years accepted by all such reformers as the line which divides those who do not from those who do pay income-tax. Since the year 1894 this has meant that the poor are those whose incomes do not exceed £160. During the previous twenty years it meant something slightly different. It meant that the poor were those whose incomes did not exceed £150. The change of definition thus involved, but generally overlooked, will claim our attention presently. This point, however, being for the moment waived, it is obvious that our extreme reformers when they describe the condition of the poor as one which, under the existing system, is bound to grow worse, or which never has and never can exhibit any permanent improvement, practically mean by the "poor" all those persons, whether manual labourers or not, whose incomes, mainly though not exclusively earned as wages, do not exceed one or other of the above sums.

The general proposition then, the correction of which we shall have in view in the inquiry to which we shall now address ourselves, is the proposition that the poor or the many, as they exist to-day, are, owing to the conditions imposed on them by the modern capitalistic system, no better off, or alternatively that they are worse off, than they were at the time when that system—some hundred and ten years ago—first achieved a position which promised and has resulted in its practically universal dominance.

### § 11. The periods which will be here dealt with

Our method will be to take several distinct periods with regard to which experts have provided us with the fullest and best digested evidence, and having ascertained in the light of this what the income of the class in question at each period was, to place the results in chronological order and compare them.

The periods with which we will begin may be indicated with sufficient accuracy as the years 1850, 1888, and 1905 ; but owing to the immense mass of detail which it was necessary in each case to investigate, the conclusions, substantially unanimous, which have been reached with regard to them by various methods and investigators, correspond respectively with the facts of several years rather than of one. It will be most convenient to take the middle period first, which was the subject of the celebrated Report presented, now about eighteen years ago, by Sir R. (then Mr.) Giffen, Statistical Secretary to the Board of Trade, to the Commission on Labour presided over by the Duke of Devonshire.

### § 12. Sir R. Giffen's evidence for the year 1886 restated by him some years later

The Report (for so we may correctly call the evidence which Sir R. Giffen tendered) takes cognisance of the entire population dependent on incomes not exceeding £150, all incomes above that amount being then assessed to income-tax. It divides this

population broadly into two classes, namely, the wage-earning manual labourers, and a "lower middle class." Its more detailed analysis will be considered by us in another place; but its general conclusions are those which alone concern us here.

The lower middle class was defined as consisting of persons (such as small tradesmen, shop-assistants, clerks, school-teachers, and officials of all kinds) whose incomes, though often not larger than those of many skilled artisans, were earned in a different way—by exertions, in other words, which were mental rather than muscular.

The aggregate income of this class is given as something between £150,000,000 and £200,000,000. We may here take the mean, and assume the amount to have been £175,000,000.

The aggregate income of labour, *i.e.* of about 13,000,000 persons, 7,000,000 being men, and the rest women, lads, and girls, amounted to close upon £640,000,000.

Thus the aggregate amount of all incomes not exceeding £150 was, in round numbers, about £810,000,000.

### § 13. General estimate of the income of the "poorer" classes at the present time

Let us now turn to what we may call the present time, with special reference, however, to the year 1905, because many of the figures with which we shall presently have to deal are the figures for that precise date.

The simplest way of estimating the condition of affairs to-day in comparison with those described in the Report from which we have just been quoting, is by reference to two facts, as to one of which, from the nature of the case, no difference of opinion is possible, whilst as to the other it so happens that all competent authorities are in agreement.

The first of these is the fact that, since the date of Sir R. Giffen's Report the population of the country has increased by about 15 per cent.; whilst the rates of remuneration amongst the classes here in question has increased, on an average, in practically the same proportion. If, therefore, we add 30 per cent. to the total which the Report gives us, we shall reach the approximate total which at the present time corresponds to it, namely, an aggregate of about £1,000,000, composed of incomes not exceeding £150.

It must, however, be remembered that what here concerns us is not only the amount of the individual incomes received, but also the status and occupations of the various persons receiving them. It is true that this consideration affects those incomes alone which were at the earlier date so near the maximum limit that an increase of 15 per cent. would by this time have carried them beyond it; but the number of such incomes is considerable, and their existence must be borne in mind. For example let us suppose that a thousand skilled artisans, who twenty years ago were earning 54*s.* a week, are earning to-day for

the same work 63*s*. If we adhered strictly to the letter of Sir R. Giffen's definition, which broadly identified the wage-income of labour with incomes not exceeding £150, the increased aggregate income earned by these thousand men would disappear from our estimates of the present income of labour altogether, and what was really a substantial increase would be converted into an apparent diminution. If our object, then, in respect of the present time, is to deal with the classes corresponding to those whose incomes twenty years ago were not in excess of £150, we shall have to raise the maximum term of our definition from £150 to £160, and in many cases, as will appear presently, even higher. These facts being taken into consideration, it will be found when we examine matters more minutely, that the aggregate of the "many," of the so-called "poor," is substantially in excess of the sum, £1,000,000,000, which has just been given as a rough approximation to the truth. We may, for the moment, however, be content to accept it as it stands.

The present aggregate income of the "many," as distinct from the income of the "few," amounts, at the lowest computation, to £1,000,000,000; and amounted twenty years ago to about £810,000,000.

### § 14. General estimate of the income of the "poorer classes" in the year 1850

Let us now take a third period, preceding the latter by thirty-five or forty years, which is

marked as the year which gave birth to the first International Exhibition, and which we may here describe as the year 1850. The then income of the labouring, and that of the lower middle class likewise, have been calculated on the bases supplied by an immense variety of records, relating to the wages then earned by labour in all its branches, and to the emoluments, variously gained, by the kinds of activity typical of the lower middle class. Sir R. Giffen included this period amongst the subjects of his address on the progress of the working classes which he delivered to the Statistical Society, as its President, in 1883. He explained that his conclusions were founded on a mass of documentary evidence extending back to the year 1830, the earlier part having been summarised by Mr. Porter, of the Board of Trade, in his " Revenue and Population Tables," whilst the latter had been submitted to prolonged examination by himself. A similar but independent examination, occupying many years, had already been undertaken by Professor Leone Levi, the corrected results of which were published about the same time Sir R. Giffen confined himself to the wages of the manual workers ; or at all events he did not, as he did in his later Report, deal specifically with the income of the lower middle class. Professor Levi dealt specifically with both. Professor Levi, moreover, gave a series of tables relating to the actual year 1850 or 1851, whereas Sir R. Giffen gave no definite summary for a period nearer to that

year than 1843. Allowance, however, being made for these facts, the two independent estimates are comparable, and are in substantial agreement.

In the year 1843, according to Sir R. Giffen, the aggregate of incomes not exceeding £150 (these obviously including the incomes of the lower middle class, though they were not specifically differentiated from the wages of manual labour) amounted to £265,000,000, of which £235,000,000 represented direct earnings, and £30,000,000 represented the profits on small capitals, such as those of minor tradesmen, of lodging-house keepers, of publicans, and of all who, in familiar phrase, had "put by a little money." Now if we take into account the rate at which the non-assessed income of the country is shown by Sir R. Giffen to have increased during a series of years subsequently, we shall find that an income which was £265,000,000 in 1843 must have grown by the year 1850 or 1851 to something like £360,000,000. Professor Levi, similarly limiting himself to incomes below £150, gave as his estimate of the aggregate at that date a sum which worked out, at first sight, as £344,000, but which, all things considered, would require an addition of about 10 per cent. His final estimate was thus about £374,000,000. We may, therefore, assume that the actual income was midway between the two extremes, and set it down as having been £370,000,000.

The aggregate amount then of incomes not

exceeding £150, was about £370,000,000 in the year 1850; in 1888 it was £810,000,000; and, as for the present time, we may content ourselves here with saying that at all events it is not less than £1,000,000,000.

### § 15. Income per head of the "poorer classes" at the three periods already mentioned

These sums, however, if taken by themselves, will have little definite meaning; for along with the increase of the aggregate income there has been an increase in the number of the recipients; and unless the increase of the former has exceeded that of the latter there will have been no increase of individual incomes at all. The aggregate must, therefore, in each case be divided by the number of persons amongst whom it was distributed.

Since these persons comprise the majority of the population, their approximate number can in each case be ascertained with ease. For the first of the three periods we may take it as 26,000,000; for the second as 31,000,000 or 32,000,000; and, with certain reservations, as 36,000,000 for the third. Dividing the three aggregate incomes by these numbers respectively, we get an average income per head of about £15 for the first period, of about £25 for the second, and of about £29 for the third.

These amounts are, of course, not mathematically exact, any more than the periods to which they refer are exactly delimited by precise months or

days; but that they are substantially correct is shown by a recent Blue-book, which reviews the same subject in the light of the latest investigations. This volume (Cd. 4671), entitled "Public Health and Social Conditions" and issued by the Local Government Board in 1909, contains a Chart which exhibits the course of wages from the year 1850 to the year 1907. Between the earliest of these years and the latest the average rate of payment for manual labour generally is there shown to have risen by 82 per cent., and between 1850 and 1888–89 by 60 per cent. If we take £15 as the average for 1850, we should, according to the Chart, get £24 for the second period, and £27–£28 for the third. These sums are slightly lower than those which are given here; but any discrepancy between the two is sufficiently accounted for by the fact that the latter include the incomes of the lower middle-class, whilst the chart relates to the wages of manual labour only. In any case the discrepancy between the two is slight; and the figures here given may be taken to represent what are, beyond all controversy, the broad and substantial facts.

### § 16. Income of the entire nation in the year 1800

It now remains for us to consider a fourth period, namely, the beginning of the nineteenth century; and in dealing with this our inquiry shall take a somewhat different form. We will not concern ourselves with the income of the

poorer classes alone. We will consider the income of all classes taken together. It will be necessary here, however, to confine ourselves to Great Britain, the data for Ireland being not sufficiently exact to provide a basis for any useful conclusions.

The national income of Great Britain in the year 1800 has been computed by a variety of methods as something between £170,000,000 and £180,000,000; and the correctness of this estimate is confirmed by the following facts and considerations.

Only thirteen months before the close of the eighteenth century, Pitt delivered his celebrated speech on his war-budget. In that speech he expounded his scheme of income-tax, which he illustrated and defended by an analysis of the then wealth of the country. He proposed to tax all incomes which were upwards of £60; and by so doing he would, he said, lay under contribution not the richer classes only, but all the upper ranks of the manual labourers also, such as "brick-makers," "masons," "carpenters" and skilled "artisans" generally. The total income which he thus proposed to tax was, he computed, £102,000,000. Now the total population of Great Britain was at that time 10,500,000 persons, of whom those dependent on incomes exceeding £60 cannot have been less in number than 1,500,000. The number, therefore, dependent on incomes below that limit cannot have exceeded 9,000,000. Further, from an official Classification of Employments for the year 1811, we know that

of the mass of the workers (the skilled trades excluded) one-third were agricultural; and the proportion eleven years earlier was probably somewhat greater. We know also what, in the year 1800, the current wages of agricultural workers were. The average income for shepherds and farm labourers, even when three members of the family group were earners, barely exceeded £28 per family (equal in purchasing power to about £30 to-day), which (young children unable to work being included) is equivalent to an income of £6 per head. The total income then of the agricultural wage-earners and their families—these amounting to about 3,000,000 persons—could not have exceeded, but may be taken to have reached £18,000,000. Of the incomes on which the remaining 6,000,000 of the poor workers were supported, most were larger, and many much larger than the foregoing; but since even the largest did not exceed £60, we cannot take them as having been on an average more than £45 and £9 per family and per head respectively. On the assumption that they amounted to as much, the income of the group was about £55,000,000, which sum being added to the income of the agricultural labourers, gives us a total of £73,000,000 as the aggregate income of the unskilled and less skilled workers, whom Pitt's scheme exempted from assessment. If we add this sum to the income which, under that scheme, was assessed, namely, £102,000,000, we get £175,000,000 as the entire income of Great Britain about the year

1800. Since, then, this estimate coincides almost exactly with others which have been reached independently by various methods, we may take it as sufficiently established; and without more discussion of the manner in which this income was actually apportioned amongst the various sections of the population, let us consider what would have been the maximum income per head had the total been then divided in equal shares amongst all. The total income having been £175,000,000, and the population 10,500,000, the *income per head on an equal division of everything* would as nearly as possible have been £16 14*s*.

## § 17. Four periods compared

And now, going back to the three periods which first engaged our attention, let us set the above fact with regard to the year 1800 side by side with the conclusions which we reached with regard to these. Their significance will be most easily intelligible if we state them in tabular form.

TABLE I. INCOMES OF ALL CLASSES IN 1800 COMPARED WITH THE INCOMES OF THE POORER CLASSES AT THREE LATER DATES

| 1800. | 1850. | 1888. | 1905. |
|---|---|---|---|
| Income per head of the population, had the *entire national income* of Great Britain been distributed amongst all classes in equal shares: | Income per head of the classes dependent on incomes not exceeding £150 (to the exclusion of all incomes exceeding that sum) if the aggregate received by them had been distributed amongst these classes in equal shares: | | |
| £16 14*s*. | £15. | £25. | £29. |

The reader will note that the average incomes

of the poorer classes for the three later periods are averages based on the *total* of what these classes received, *to the exclusion of all other classes;* and that they are here compared, in respect of the year 1800, with *something widely different*, namely, an average based, not on the aggregate income of any class or classes in particular, but on the *aggregate income of all classes taken together.*

Let us now alter our procedure, and treat the periods indicated by the years 1850 and 1888 as we have treated that indicated by the year 1800. That is to say, to the income of the poorer classes let us add that of the richer, and see what would have been the average for everybody had there been at these dates an equal division of everything. The aggregate of incomes below £150 was, in 1850, as we have seen, about £370,000,000; the aggregate of incomes above that sum was £272,000,000,* making a total for the United Kingdom of some £640,000,000. The aggregate of incomes below £150 was, in 1888, as we have seen, £810,000,000; the aggregate of incomes above that sum * was only just short of £640,000,000. The population was 27,000,000 in 1850; in 1888 it was 37,000,000. The computations, then, which we are about to make are simple; we will tabulate them in two forms:

* The gross amounts given in the income-tax returns are here given, and not the net, because the deductions, though greatly affecting (as we shall see hereafter) the result, so far as it concerns the income-tax payers themselves, have no great bearing on the income of the nation as a whole.

TABLE II. AVERAGE INCOME PER HEAD OF ALL CLASSES AT CERTAIN PERIODS, COMPARED WITH THE AVERAGE PER HEAD OF THE POORER CLASSES ONLY, AT OTHERS

| 1800. | 1850. | 1888. | 1905. |
|---|---|---|---|
| Income per head of the population had the *entire national income* of Great Britain in 1800, and of the United Kingdom in 1850, been distributed amongst all classes in equal portions : | | Income per head of the classes dependent on incomes not exceeding £150 (to the exclusion of all incomes exceeding that sum) if the aggregate income received by them had been distributed amongst these classes in equal shares : | |
| £16 14s. | £23 6s. | £25. | £29. |

TABLE III

| 1800. | 1850. | 1888. | 1905. |
|---|---|---|---|
| Income per head of the population, had the *entire national income* of Great Britain in 1800, and of the United Kingdom in 1850 and 1888, been distributed amongst all classes in equal shares : | | | Income per head of the classes dependent on *incomes not exceeding* £150 (to the exclusion of all incomes exceeding that sum), if the aggregate income received by them had been distributed amongst them in equal shares: |
| £16 14s. | £23 6s. | £39. | £29. |

## § 18. General conclusions as to the incomes of the poorer classes

What, then, are the conclusions which these tables bring home to us ? They all begin with the same year, 1800, Great Britain being by that time the richest country in the world. Had the poorer portion of the community—had the labouring and the employed classes generally, as distinct from the rich and the employing classes—conceived the idea in the year 1800 that in justice all

the wealth of the great and prosperous should be thrown into a common stock, of which each should have an equal share, even those who might have regarded some approach to such a programme practicable would have set down its complete realisation as no more than a dream. And yet Table I. shows us that only fifty years later this seemingly impossible dream was, in relation to the poorer classes as a whole, a virtually accomplished fact.

The average income of these classes per head was in 1850 only less by one-tenth than it would have been if fifty years before, when the future Duke of Wellington reached the age of twenty-one, the whole income of the country had been divided amongst the population equally, and, continuing to increase in proportion to the number of the recipients, had been still so divided on the eve of the Duke of Wellington's death.

The same table shows us, farther, that matters did not rest here, but that thirty-eight years later the income of these classes, instead of almost equalling what it would have been under the above conditions, exceeded this by 50 per cent., and that twenty years later again the percentage of excess was 70.

In Tables II. and III. the same facts are exhibited under a fresh and still more striking aspect.

Table II. shows us that, just as by the year 1850 an equal division of incomes below £150 would have yielded to the recipients an average income per head only just short of that which would have

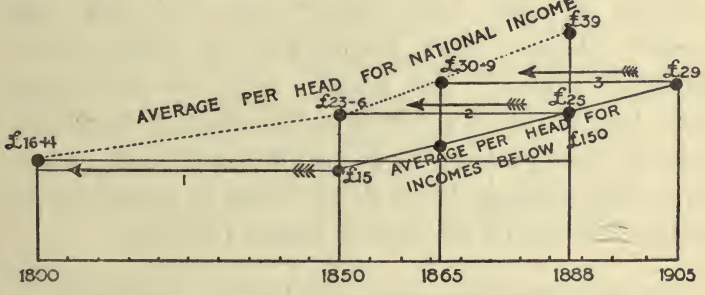
been yielded in 1800 by a similar division of the entire income of the country, so in the year 1888 an equal division of incomes below £150 would have yielded to the recipients an average income per head which not merely approached but exceeded, by some 8 per cent., what a similar division of the entire wealth of the country would have yielded as the share of each in the year 1850.

Table III. carries the same survey farther, and enables us to see how in 1905 the average per head for incomes below £150 compares with the average which the entire income of the country would have given if divided equally in the year 1888. The period here in question is shorter than in the two previous cases, and the change that has taken place in it is naturally not so great. The average per head for incomes below £150 (namely, £29) would have been barely three-fourths of the average (namely, £39) which an equal division of the entire income of the country would have yielded per head some seventeen years before; but if, when the forty years succeeding that date have been accomplished, events shall have continued to march as they did during the first seventeen of them, the average for incomes below the present line of assessment, *i.e.* £160 (for the limit of £150 must be here discarded) will be approximately £38, or not 3 per cent. less than what would have been the annual portion of each had the entire wealth of the country been equally divided amongst all about five years ago.

We shall, however, be on surer ground if we

take a fifth date, namely, 1867, with regard to which our information is precise enough for our present purpose, but which has been hitherto passed over so as to avoid a needless multiplication of details. The entire income of the country for that year has been unanimously estimated by statisticians as something not far from £950,000,000, the population being 30,000,000, an equal division of the whole thus yielding per head an average income of £30 7*s*. The average for incomes below £150 having been, as we have seen, £29, the difference between the two is only $4\frac{1}{8}$ per cent., and in a general calculation like the present the two sums may be taken as substantially equal.

These facts are presented simultaneously in the following simple chart :




It will thus be seen that (as emphasised by arrows 1, 2, 3 in the chart) in the course of 105 years the income per head of the poorer majority of the population has at three specified dates risen to an amount which, relatively to the number of the recipients, swallowed up what was equivalent to the entire income of the nation at three

earlier dates, also severally specified, within the same total period. A similar phenomenon would likewise reveal itself if we took any other dates subsequent to the year 1850. For example, the income per head of the poorer classes in 1875 would probably be found to correspond to that which would have been yielded by an equal division of the entire national income about 1830; but the particular dates which have been here selected are sufficient. This astonishing result took, in the first instance, half a century to accomplish; in the second, it repeated itself in less than forty (1850–1888); in the third, the time was forty years (1865–1905). We may accordingly say that, if the same economic movement continues which has prevailed in this country from the middle of the last century up to now, the poorer classes, the employed, or what Marx broadly called "the poor," may in any given year look forward to dividing amongst themselves, within the life-time of a middle-aged man, whatever may happen to be at the date in question the entire income of all classes taken together.

### § 19. The foregoing conclusions pertinent, precisely because they are general

It may, of course, be urged—let us take up this point again—that such statements as these, however substantially correct so far as their meaning extends, deal only with averages, that they are general statements only, and that they throw no light on the condition or the prospects of

individuals, or even of large sub-classes which the larger class in question comprehends—the residuum, the inefficient, the casually employed, the "sweated," or even of the superior workers whom events throw out of employment. And this is true. The conclusions that have been just elucidated are general conclusions only; but here we are brought back to those preliminary considerations to which the attention of the reader was called as an introduction to our present subject. If the conclusions just put forward with regard to the progressive enrichment, during more than a century of capitalism, of the class which Marx comprehensively called "the poor" are general conclusions only, the assertion of Marx that this class under capitalism was becoming, and was bound to become, ever poorer and poorer —a statement which has coloured the speculations of nearly all extreme reformers since—was also general in precisely the same sense; and general statements which are false can be met only by proved conclusions equally general which are true.

The actual facts of the case, as here set forth and summarised, not only show that the Marxian generalisation was untrue; they show also that it was a positive inversion of the truth—that it was a passionate assertion that things were moving in one direction, whereas they were really moving, and have gone on moving ever since, in a direction precisely opposite.

For anyone who desires to deal, whether for

speculative or political purposes, with the social and economic problems of to-day, it is necessary to grasp completely this cardinal fact, and to recognise the full extent as well as the limitations of its significance.

Marx, by his doctrine as to the growing impoverishment of "the poor," did not mean that under the capitalistic system no poor man could grow richer, any more than by his doctrine as to the progressive enrichment of the rich he meant that no rich man could ruin himself and die a bankrupt. He treated the poor comprehensively as a *distinct nation*, contrasting it sharply with another nation which he called "the rich"—the one consisting mainly of the employed or, as he called them, the "exploited," the other consisting mainly of those who employed or, as he put it, who exploited them. With regard to the employers, when he declared that they were growing richer and richer, he meant that they were growing richer as a body without regard to the vicissitudes of individual fortunes, many of which he himself represented as decreasing. When he declared that the employed were concurrently growing poorer and poorer, he meant that they were growing poorer taken as a body likewise, without regard to the fact that within its limits incomes were distributed unequally, and that some workers, owing to exceptional skill, might possibly be richer than they would be under the equalised conditions of Socialism.

In the same way, when the facts which have

been here set forth, and the startling comparisons which emerge from them, are said to demonstrate that, contrary to the doctrine of Marx, the " poor," instead of growing poorer, are constantly growing richer, and that, instead of their wealth being progressively swallowed up by the employers, the wealth of the employers is progressively swallowed up by them, it is not meant that this process of enrichment affects all the individuals of whom the nation of the poor is composed. What is meant is that, relatively to the number of the recipients, the national income of the " poor " is increasing in the manner stated, and that the majority enjoy of necessity their full proportion of the increment, however individuals or groups, owing to accidental or persistent causes, may temporarily or thus far chronically be shut out from participation in it.

### § 20. The conclusions of agitators generally, an absolute inversion of historical facts

As has been observed already, the extreme reformers of to-day do not in its literal sense (except at elections, or when they are addressing very ignorant audiences) any longer definitely endorse the proposition of Marx in its crudity. Nevertheless, whilst repudiating its details, they still, as has been observed also, cling to its spirit, representing the general economic condition of the " poor " as being, under the existing system, one of necessary decline. Now what we have here to deal with is not a question of detail. The

picture of society drawn by Marx is substantially erroneous, not because its details individually are exaggerated or incorrectly coloured, but because all the objects depicted in it are practically upside down—because its rivers run up hill, its unsupported stones fly upwards, its houses stand on their chimneys, its men and women walk about on their heads. All these errors still survive in the literature and the oratory of the extreme reformers of to-day. However the details and even the proportions of the original design may have been modified, the general scheme of it remains inverted still, and the parts that have been revised are as radically misleading as ever because they are still placed in a radically false setting.

The extreme reformers must be taught to redraw their picture from the very beginning; or, if they persist in retaining the old outlines, their obstinate errors must be exposed in so drastic a way that the mass of people may be no longer duped by them.

So much, then, for the income of the "poor" and its historical development under capitalism, that income being taken by itself, as the income of a separate nation. We will now proceed to consider it in various other lights; and our treatment of facts, as we do so, will grow very much more minute.

# SECTION III

## THE DISTRIBUTION OF THE NATIONAL INCOME TO-DAY

### SUB-SECTION I

### PRESENT DISTRIBUTION OF THE INCOME OF THE POORER CLASSES

**§ 21. Explanation of the methods by which our preliminary rough conclusions will be reached**

THE income of the poorer classes has been thus far considered in the aggregate; and in showing how these classes, considered as a nation in themselves, are distinguished from the richer classes, considered as a nation likewise, we have not touched on the question of how its aggregate income is distributed amongst the sub-classes of which that nation consists.

This is the question to which we will now address ourselves; and since, in doing so, we shall be concerned, not with a few broad facts such as those with which we have dealt hitherto, but with a mass of minute details, we will confine our inquiries to the present and the comparatively recent past, with regard to which our information is fullest and most exact.

We will begin, as we did in the previous case, with Sir R. Giffen's Report, relating to the conditions which obtained some twenty or twenty-two years ago, and analyse its contents instead of merely summing up its conclusions.

The investigations on which his Report was founded began as far back as 1886, and the Report represents the result of some twenty-four years' work. The wage-earners were analysed into thirty-eight different groups, according to the different kinds of work or service into which the wage-paid labour of this country is divisible, and the wages current in each group were ascertained, regard being had, not only to the weekly rates, but to the averages of such rates yielded by the incomes actually received per year.

The classes with which the report dealt comprised, as we have seen already, not only the industrial wage-earners, but the entire population dependent on income not exceeding £150 a year. That is to say, it comprised, in addition to the labouring classes, a lower middle-class, consisting of small traders, experts such as piano-tuners, clerks, officials, small annuitants, and a host of others, having incomes not exceeding the maximum sum in question, all incomes exceeding it being then assessed to income-tax.

## § 22. The numbers of the labouring wage-earners and the lower middle-class about the year 1888

The labouring wage-earners are enumerated and classified in the Report thus :

TABLE IV

| | |
|---|---|
| Men | 7,320,000 |
| Women | 2,963,000 |
| Lads | 1,729,000 |
| Girls | 1,265,000 |
| Total | 13,277,000 |

The lower middle-class (in both cases we are here dealing with the actual earners or recipients of incomes, not with families) comprised, as we have seen, according to Sir R. Giffen's figures, about 1,200,000 persons, the average income being taken at £140–£145.

## § 23. Wages of labour about the year 1888. Number of persons earning different amounts

Let us begin with the labouring wage-earners, confining ourselves first to the men. The Report gives us the following analytical table :

TABLE V. THE WAGES OF 7,320,000 MEN, WITH THE PERCENTAGE OF PERSONS BELONGING TO EACH CLASS SPECIFIED

| | | | Average wage.* | | Percentage of total number. |
|---|---|---|---|---|---|
| | | | s. | d. | |
| (i) | Men earning under 10 | per week (say) | 8 | 0 | 0.2 |
| (ii) | ,, from 10 to 15 | ,, ,, | 12 | 6 | 2.5 |
| (iii) | ,, ,, 15 ,, 20 | ,, ,, | 17 | 6 | 20.9 |
| (iv) | ,, ,, 20 ,, 25 | ,, ,, | 22 | 6 | 35.4 |
| (v) | ,, ,, 25 ,, 30 | ,, ,, | 27 | 6 | 23.6 |
| (vi) | ,, ,, 30 ,, 35 | ,, ,, | 32 | 6 | 11.2 |
| (vii) | ,, ,, 35 ,, 40 | ,, ,, | 37 | 6 | 4.4 |
| (viii) | ,, above 40 | ,, ,, | 42 | 0 | 1.8 |

* These averages are based in the Report, but are not included in it.

In order, however, to understand the practical significance of these figures, it must be borne in mind that, for the most part, the workers live not alone, but in families; and the incomes which concern us are the incomes of families, not of individuals. A family is commonly estimated as consisting on an average of five persons, but some statisticians say four and a half. The question turns on the manner in which the word "family" is defined. The word is here used to signify the *de facto* household, which is not always identical with the parents and their direct issue; and that the average number of persons per family in this sense of the word is five is shown by the fact that the total number of houses is, as nearly as possible, one-fifth of the number of the entire population. There is a virtual clustering of the population in groups of five.*

Now at the date to which the above table refers the population of the United Kingdom was about 38,000,000. That is to say, it consisted of some 7,600,000 families.† Of these about 1,000,000 were dependent on incomes exceeding £150, and

* Between the years 1801 and 1881 the number of inhabitants per house was: 1801, 5.6 inhabitants; 1811, 5.6; 1821, 5.8; 1831, 5.6; 1841, 5.4; 1851, 5.5; 1861, 5.4; 1871, 5.3; 1881, 5.4. As will be pointed out hereafter, a certain allowance, in estimating family incomes, must be made in respect of domestic servants (of whom 90 per cent. are female), these being withdrawn from their families and working and earning in the houses of other people.

† Mr. Bowley argues, with reference to the method of estimating the distribution of wealth by means of average family incomes, that the cases in which earnings are spent, not by families, but by isolated individuals, are so incalculable that the family average is misleading. It is pointed out in a later portion of this book that it brings us nearer to the substantiated truth than an average of any other kind.

there were about 1,200,000 comprehended under Sir R. Giffen's definition of the lower middle-class. The labouring wage-earners, therefore, to whom the above table refers, numbering, as we have seen, about 13,000,000 workers, may be taken as representing about 5,400,000 families, or a population (if children and other non-workers are included) of some 27,000,000 individuals.

Now each of these families, on an average, will have had one mature male wage-earner at its head. Accordingly, out of the 7,000,000 "men" dealt with in the above table, the number of male heads of families will have been about 5,400,000. The 1,600,000 "men" remaining will have been men in very early manhood.

Corresponding to this body of 7,000,000 "men," there was, as we have seen, a body of women, lads, and girls—all wage-earners—their total number amounting to about 6,000,000. Such being the case, then, we have a body of 5,400,000 male heads of families, who are the principal wage-earners, on the one hand, and a composite body of subordinate wage-earners on the other, comprising 6,000,000 women, lads, and girls, and, in addition to these, 1,600,000 very young men, the total number of these subordinate workers being 7,600,000. Thus, each male head of a family will, in his capacity of wage-earner, have had as his associate or his associates one fellow-worker or two—the average would be 1½—whose earnings, united with his own, made up the family income.

Now the aggregate earnings of the " men " were, according to the Report, £440,000,000, and those of the women, lads, and girls were £193,000,000. This gives an average per head of £60 for the former and of £32 for the latter ; but if we are to transfer 1,600,000 very young men from the class described as " men " to the mixed class of wage-earners associated with the heads of families, we must also add these very young men's earnings to the aggregate earnings of the women, lads, and girls. This addition, according to the foregoing average, will amount to a total of £96,000,000, which will raise the aggregate earnings of the entire class of associated workers from £193,000,000 to £290,000,000, and the earnings per head from £32 to £38.*

What we are seeking to arrive at here, however, are family incomes, and not individual incomes ; and if we wish to see what is the amount per family added by the associated workers to the amount earned by its head, we must divide the income which these workers earned in the aggregate, not by the number of these workers themselves, namely, 7,600,000, but by the number of the male heads of families, namely, 5,400,000. This will give us per family an average addition of about £54 to the earnings of its male head,

* The use of round numbers, for the sake of simplicity, in the above calculations, has involved the elimination of 277,000 individuals from the total body of 13,277,000 wage-earners ; and the total wage-income which would be given by adding the above aggregates together is less than the true total by about 4 per cent. The true total, as given in the Report, was between £630,000,000 and £640,000,000.

these on an average being, as we have seen, £60.* Thus for every head of a family who earned that actual sum, other members of the family will have earned on an average £54, raising the family income from £60 to £114. Or in a family of unskilled labourers, the head of which earned only 8s. a week, or £21 a year, the other workers will have earned on an average some £18, thus raising the family income from £21 to £39; and so on in like proportion with regard to incomes of other magnitudes.

We may now go back to Sir R. Giffen's analysis of the incomes earned by "men," and, interpreting it in the light of the facts just stated, see what are the conclusions to which it brings us as to the incomes of wage-earning families of different grades. The results may be tabulated thus:

TABLE VI

| Earnings per week of male heads of families, 5,400,000 in number. | Earnings of rest of family per week, in the approximate proportion of £54 to £60. | Family incomes per week. | Family income per year (approximate). | Number of families and incomes according to percentage in Report. | Aggregate incomes. |
|---|---|---|---|---|---|
| s. d. | s. d. | s. d. | £ | | £ |
| (i) 8 0 | 7 0 | 15 0 | 39 | 10,000 | 390,000 |
| (ii) 12 6 | 11 0 | 23 6 | 61 | 140,000 | 8,400,000 |
| (iii) 17 6 | 15 6 | 33 0 | 82 | 1,100,000 | 90,400,000 |
| (iv) 22 6 | 20 0 | 42 6 | 105 | 1,900,000 | 199,000,000 |
| (v) 27 6 | 24 6 | 52 6 | 136 | 1,250,000 | 170,000,000 |
| (vi) 32 6 | 29 0 | 61 6 | 158 | 600,000 | 94,000,000 |
| (vii) 37 6 | 33 6 | 71 0 | 174 | 270,000 | 46,000,000 |
| (viii) 42 6 | 37 6 | 80 0 | 208 | 105,000 | 21,000,000 |
| | Totals . . . . | | | 5,375,000 | 629,190,000 |

* That this computation with regard to family incomes does not err on the side of exaggeration will appear from a fact pointed out by Mr. Iveson in his work "The People's Progress," p. 20—namely, that

The substantial accuracy of these estimates as to family incomes is shown by the fact that the total of the numbers of families assigned to each grade of wage-earners differs by only 1 per cent. from the number actually required, and that the sum of the incomes assigned to each group collectively differs only by a similar fraction from the actual aggregate wage-income as given by Sir R. Giffen.

### § 24. Incomes of lower middle-class about 1888

To these incomes and families, as thus computed, it remains for us to add the incomes and families of the lower middle-class, the average income per family being taken as £140–£145, the aggregate income as about £175,000,000, and the number of families as about 1,200,000.

And here the question arises of how, when the incomes of the lower middle-class are united with those of the wage-earners so as to form a complete table of incomes not exceeding £150, they may be most fittingly grouped. An answer will be found in a consideration of the following facts.

In the first place, it will be seen from the preceding table that the wage-earning families are divisible, roughly, into three bodies, thus : Groups i, ii, iii and iv, amounting jointly to about 3,000,000 families, having incomes which do not appreciably

in " Riches and Poverty," p. 26, Mr. Chiozza Money, whose object is to represent the mass of the population in this country as being in a condition of extreme indigence, adopts a principle of computation according to which the average family income is more than twice that of adult individual workers.

exceed £100; Group v, consisting of 1,250,000 families, whose incomes amount on an average to £136; and, lastly, Groups vi, vii, and viii, consisting of about 1,000,000 families, whose incomes range from £140 to upwards of £200. (A portion of these last may seem out of place here, but the apparent anomaly will receive its explanation presently.)

In the second place, as to the lower middle-class, if we consider what its social composition is, we may reasonably assume that, the average income for the whole being £140–£145, some two-thirds of it, namely, 800,000 families, had, at the time to which the report refers, incomes ranging from £130 to £140, and that the remaining 400,000 had incomes ranging from £145 to £150.

### § 25. Incomes of wage-earning and lower middle-class combined, about 1888

Such being the case, then, in our general conspectus of the incomes of the poorer classes at the time referred to in Sir R. Giffen's Report, the incomes of 800,000 lower middle-class families, averaging from £130 to £140, will have to be grouped with the incomes of 1,250,000 families of wage-earners (Group v in Table VI.), whose average income is £136; and the incomes of 400,000 lower middle-class families, averaging from £145 to £150, will have to be grouped with the incomes of about 1,000,000 families of wage-earners. Adopting this arrangement, as that which will show most clearly the conditions of

the population in question with regard to mere income and apart from social status, we may summarise in the following way the main conclusions deducible from the whole set of figures now before us.

TABLE VII. NUMBER OF FAMILIES DEALT WITH: WAGE-EARNING, 5,400,000; LOWER MIDDLE-CLASS, 1,200,000. TOTAL, 6,600,000. FOR YEAR 1888 (*circa*)

| Composition of group. | Amount of family income. | Number of families. | Total population represented. |
|---|---|---|---|
| | | | Persons. |
| (1) The poorer classes of wage-earners (Groups i and ii, Table VI.). None of the lower middle-class included. | From £39 to £61. (Man's wages not exceeding 15*s.* a week.) | 150,000 | 750,000 |
| (2) The great body of unskilled labourers (Group iii, Table VI.). None of the lower middle-class included. | Average, £82. (Man's wages, 17*s.* 6*d.* a week.) | 1,100,000 | 5,500,000 |
| (3) The great body of artisans, mechanics, &c. (Group iv, Table VI.). None of the lower middle-class included. | Average, £105. (Man's wages, 22*s.* 6*d.* a week.) | 1,900,000 | 9,500,000 |
| (4) Highly skilled or specialised manual workers (Group v, Table VI.), 1,250,000 families; poorer section of lower middle-class, 800,000 families. | Average, £136. (Wage-earners. Man's wages, 27*s.* 6*d.* a week.) | 2,050,000 | 10,250,000 |
| (5) Richer section of lower middle-class, 400,000 families; highest grades of manual labour (Groups vi, vii, and viii, Table VI.), 875,000,000 families. | Average for lower middle-class, £148. Average wage-earner's income, £166. (Man's wages, 42*s.* a week.) | 1,375,000 | 6,375,000 |
| Total . . . . . | | 6,575,000 | |

### § 26. Large family incomes, jointly earned, not assessed, though exceeding the assessment limit

Here is the place at which it will be most convenient to explain how it comes about that, in an examination of incomes which were grouped together by Sir R. Giffen on the ground that they were not assessed to income-tax—*i.e.* that the largest of them barely amounted to £150—many have been here included which exceed that sum considerably. The explanation is that Sir R. Giffen's definition relates to incomes individually earned, whereas we have been dealing here with family incomes. For purposes of income-tax (except theoretically in the case of husband and wife), the only incomes are those earned or received by individuals. Jointly earned incomes, or family incomes, have, as such, no existence. Of family incomes there are, therefore, a large number which, though far above the limit at which assessment begins, are, nevertheless, the incomes of non-assessed persons. These observations apply mainly to the wage-earners, the lower middle-class being touched by them to a much smaller degree. The reason is that the lower middle-class family is typically supported by the income earned by its head, whereas the wage-earning family is supported no less typically by an income made up of the incomes of two or several of its members ; and hence a result ensues which is not generally realised, namely this, that,

though a lower middle-class family is supposed to take social precedence of the family of a superior artisan, the latter may be in reality very much richer than the former without ceasing to belong to the classes here defined as "the poorer." For example, if a small tradesman, at the date of Sir R. Giffen's Report, had raised his income from £148 to £152, he would have ceased to be technically a member of "the poorer classes" altogether and would have passed over into the ranks of the richer who paid income-tax; whereas an artisan family round the corner, comprising a man and two sons, earning 35*s*., 30*s*., and 25*s*. respectively, would, according to the generally accepted definition (as used by Sir R. Giffen and adopted here), still belong to the non-assessed or "poorer" classes, though the income by which it was supported would be over £220.

This fact will claim our renewed attention presently. Meanwhile it must be remembered that the *figures in Table VII. relate only to the conditions which prevailed some twenty-two years ago*. We must now proceed to revise them, so as to bring them into accordance with the actualities of the present day.

With this object in view, our first step, which we may for the moment regard as merely provisional, will be to repeat the method pursued in dealing with the income of the poorer classes as a whole; only now that we are dealing with the question of how this aggregate income is distributed amongst various groups, we shall have

to consider the matter in very much greater detail. Taking our stand, then, on the two broad facts that the population since the date to which Table VII. refers has increased by about 15 per cent., and that wages have admittedly increased in a proportion that is certainly not smaller, we will, as we did previously, increase the figures for the earlier period by 30 per cent.—by 15 per cent. in respect of the numbers of the incomes and by 15 per cent. in respect of their amount; and we shall thus arrive at an estimate for the present time sufficiently accurate for purposes of correction or verification in detail, by means of subsequent comparison with an independent order of facts.

### § 27. Incomes of wage-earning and lower middle-class at the present day

The table on the following page is divided into two sections, of which one is a condensed reproduction of Table VII. whilst the results of increasing the numbers of the incomes and the amounts of the incomes given in it by 15 per cent. respectively are set forth in the other. It will be observed that, as on former occasion, the words "the present time" are used with special reference to the year 1905. The reason is that the figures for that year have formed the subject of an exceptional number of computations, especially those submitted to the Select Committee on Income-tax.

It will be observed that the estimates for 1905 relate to a population of about 37,800,000 individuals. The total population for that year

## Table VIII

### ncome of Poorer Classes to-day. Preliminary Estimate

| Figures for the year 1888. (Reproduced from Table VII.) | | | Figures for the year 1905. [(15 per cent. added both to the amount and number of income for the year 1888. | | | |
|---|---|---|---|---|---|---|
| Constitution of group. | Average income per family of five persons. | Number of families. | Average income per family of five persons. | Number of families. | Aggregate incomes of groups. | Total population represented by families. |
| Lower class of wage-earners. Men's wages from 8*s.* to 15*s.* a week | £61 | 150,000 | £70 | 172,000 | £12,000,000 | 860,000 |
| Mass of unskilled wage-earners | £82 | 1,100,000 | £94 | 1,265,000 | £120,000,000 | 6,325,000 |
| Mass of skilled wage-earners . | £105 | 1,900,000 | £120 | 2,185,000 | £262,000,000 | 10,925,000 |
| Exceptionally skilled wage-earners (1,250,000 families), poorer section of lower middle-class (800,000 families) | £136 | 2,050,000 | £156 (Not assessed, because exemption limit raised to £160) | 2,357,000 (920,000 belonging to lower middle-class) | £379,000,000 | 11,785,000 |
| Highest class of skilled wage-earners | £166 (Not assessed, because jointly earned) | 975,000 | £190* (Not assessed, because jointly earned) | 1,120,000 | £212,000,000 | 5,600,000 |
| Richer section of lower middle-class | £148 | 400,000 | £170* (assessed) | 460,000 | £78,000,000 | 2,300,000 |
| Totals of families and incomes for 1905 . . . . | | | | 7,559,000 | £1,063,000,000† | 37,795,000 |

* Since all incomes are now assessed which exceed £160 (instead of £150 as formerly), it will be apparent that, until our figures are finally collated, there will be a certain amount of overlapping, since certain incomes now assessable have been included in the above table already.

† Mr. Bowley has admitted, while this volume was in the press, that this computation of the aggregate incomes in question (already given in an article in *The Nineteenth Century*) agrees substantially with his own conclusion, though he takes exception to the manner in which it is here assumed to be distributed. Thus far, however, the figures with regard to distribution are put forward as mere working hypotheses.

was 43,220,000. If, therefore, the above estimates, which are thus far only put forward as tentative, be approximately correct, there are some 5,400,000 individuals, or rather less than 1,100,000 families, whose incomes still remain to be dealt with. These will consist entirely of families whose incomes are assessed to income-tax—of the richer classes as commonly contrasted with the poorer. The official returns relating to that tax comprise the evidence with which our examination must begin.

## SUB-SECTION II

## DISTRIBUTION OF THE INCOMES OF THE RICHER CLASSES

### § 28. The assessed income of the country at the present day, with special reference to the year 1905

What is the actual amount of the assessed income in the aggregate? And among how many families, and in what proportions, is it divided? These are the questions which we must now have in view.

Owing to the manner in which the income-tax is graduated by means of abatements on incomes not exceeding £700, we have evidence—partial indeed, but direct so far as it goes—which is wanting with regard to incomes of greater magnitude. The number of abatements is not given in the Statistical Abstract; but it is given for

1905, together with the official analyses, in a volume called "The King's Revenue," by Mr. W. M. J. Williams, to which many readers may find it easier to refer than the voluminous Reports of the Commissioners of Inland Revenue. We will, therefore, confine ourselves for the moment to incomes not exceeding £700.

### § 29. Incomes between £160–£700

The number of abatements on such incomes allowed in the year 1905 amounted in all to 725,000, of which 622,000 were on incomes not exceeding £400. Such abatements are, however, only allowed when claimed; and it is a matter of common knowledge that a large number of persons entitled to claim them do not. The total number of incomes under £700 is certainly greater than the number which the abatements show. The question is, how much greater? Here statisticians differ. As a basis of discussion, let us take a series of papers submitted by Mr. Bowley to the Select Committee on Income-tax in 1906, with special reference to the year 1905, in which he deals with the question from various points of view.

There are several different estimates which he offers as alternative possibilities. Let us begin with that to which he himself inclines, and which he has worked out in greatest detail. According to this the number of incomes between £160 and £400 was, in 1905, 670,000; and of those between £400 and £700, 163,000, the total amounting to 833,000.

### § 30. Reasons for supposing that the number of incomes between £160–£700 is generally under-estimated

Now, there are various reasons for supposing that this estimate is much too low ; and since we shall submit the matter to an independent test hereafter, it will be sufficient to indicate these reasons without pausing to elaborate them. If there were really no more than 670,000 incomes between £160 and £400, then, since 622,000 abatements on such incomes were actually claimed and granted, it would follow that out of the persons entitled to claim an abatement only one in every twelve failed to be at the trouble of doing so.

To most people it will seem that this proportion is unbelievably small. They will incline to put it at one-third rather than at one-twelfth. Such a view is, moreover, supported by various circumstantial facts. Out of the 622,000 abatements actually claimed and granted, one single class—namely, the salaried employees of the Government, companies, and private firms—will account for 440,000,* or more than two-thirds of the whole. It is impossible to suppose that there are only 230,000 other persons enjoying similar incomes, when we realise that the shopkeepers are estimated to number at least 450,000 ; that the farmers occupying from 50 to 500 acres number about 160,000 ; and that there are at least 90,000

* Total number of salaried employees assessed in 1905, 502,000. Of these about 60,000 earned more than £400 a year.

persons whose main means of subsistence are derived from pensions, annuities, and investments in Government stock or companies. Of these 650,000 persons (more or less), the probabilities are that at least 400,000 have incomes exceeding £160 but not exceeding £400; or, in other words, that the total number of such incomes, instead of being 670,000, are substantially in excess of 840,000. Mr. Bowley's estimate of 163,000 as the number of incomes between £400 and £700 may, by parity of reasoning, be regarded as similarly deficient, the true number being probably over 200,000.

If we add these two sums together, we get a total exceeding 1,040,000; and this Mr. Bowley himself admits to be within the bounds of possibility. Even this, however, must be set aside as too low, when we find that the number of incomes between £160 and £700 assessed * under Schedules D and E alone is some 930,000, exclusive of all those derived from Government stock, from public companies (*e.g.* railways), and those also (comprised under other Schedules) derived from agriculture, land, and houses. All things considered, then, the number of assessments on incomes not exceeding £700 a year would probably amount to something like 1,400,000, and the number of individual incomes, allowance being made for plural assessments of the same persons, would be 1,200,000. At all events we may take this as a

* These separately assessed incomes are made up of incomes of "persons," "firms" (two and a half persons to a firm), about 28,000 very small companies, which must really be personal ventures, and about 460,000 salaried employees. The total number of these is now half a million. Those salaries are here deducted which exceed £700.

working hypothesis, until the time comes for collating it with other facts and figures, as to which our information is precise.

This will mean that Mr. Bowley's estimate of the total number (which he puts at 833,000) must, to speak roughly, be increased by about 50 per cent.

We will, accordingly, now proceed to details. Mr. Bowley's own estimate (Report of Select Committee on Income-tax, p. 229) as to the sub-classes of incomes in question is reproduced in the Table on the next page, and side by side with his figures are given those which correspond to them, as amended on the above basis.

### § 31. Rough provisional verification of the amended figures

Without attempting here to verify the amended computations in detail, we may yet pause to notice that, in one respect at all events, they are in striking accordance with known and indisputable facts. I refer to the total number of families and family incomes. These, as given in the Table, amount to 1,190,000. For incomes above £700 we shall have, as will appear presently, to add, putting it roughly, another 200,000, bringing the total number of family incomes assessed up to something like 1,400,000. Now, according to Table VIII., which dealt with the incomes of the poorer classes, the number of such incomes was 7,559,000, these two totals together making a gross total of 8,936,000 family incomes or families. It will, however, be seen that in Table VIII. are included 460,000 families whose incomes, though

## Table IX

### Assessed Incomes from £160 to £700

| Mr. Bowley's Figures. | | | | Mr. Bowley's Figures Amended. | | |
|---|---|---|---|---|---|---|
| Range of incomes. | Persons. | Total incomes. | Average per person. | | | |
| £ 160–200 | 236,000 | £ 42,000,000 | £ 180 | 354,000 | £ 180 | £ 63,000,000 |
| 200–300 | 276,000 | 72,000,000 | 254 | 414,000 | 254 | 107,000,000 |
| 300–400 | 138,000 | 47,000,000 | 340 | 207,000 | 340 | 70,000,000 |
| 400–500 | 78,000 | 35,000,000 | 440 | 97,000 | 440 | 41,000,000 |
| 500–600 | 50,000 | 28,000,000 | 540 | 75,000 | 540 | 40,000,000 |
| 600–700 | 35,000 | 22,000,000 | 640 | 43,000 | 640 | 28,000,000 |
| Totals . . | 833,000 | 246,000,000 | — | 1,190,000 | — | 349,000,000 |

they would have escaped assessment in the year 1888, have so increased since then as to place them in the category of assessed incomes now. In the two tables, therefore, these have been counted twice over; and from the gross total, as just given, 460,000 must be deducted. The true total of families and incomes, according to the foregoing computations, will consequently be 8,576,000. Now the actual population of the United Kingdom in 1905 was 43,221,000, the number of families being 8,644,000. Thus the two results show a discrepancy of less than 2 per cent.

### § 32. Incomes above £700 a year

Let us now turn to incomes above £700 a year. The number being comparatively very small, whilst the sums involved and their importance (fiscally and otherwise) are very great, a more minute attention will be requisite with regard to these than has been requisite with regard to the smaller incomes, whose numbers are incalculably larger.

As a point of departure, let us compare three estimates relating to them which came before the Select Committee on Income tax.

### § 33. The net total of all private assessed incomes

Of the various discrepancies in detail between these three estimates, the one which is most striking, and which requires to be considered first is that which relates to the aggregate of incomes exceeding £700. Mr. Bowley and Sir H. Primrose

TABLE X

DIFFERENCES BETWEEN VARIOUS ESTIMATES PUT FORWARD BY RECENT STATISTICIANS

| | All incomes above £700. | | Incomes from £700 to £5000. | | Incomes above £5000. | |
|---|---|---|---|---|---|---|
| | Persons. | Amount. | Persons. | Amount. | Persons. | Amount. |
| Mr. Chiozza Money | 275,000 | £585,000,000 | — | — | — | — |
| Mr. Bowley . | 170,000 | £434,000,000 | 156,000 | £233,000,000 | 14,000 | £200,000,000 |
| Sir H. Primrose . | About 280,000 | £425,000,000 | 268,000 | £304,000,000 | 12,500 | £121,000,000 |

are practically in agreement as to this (the one putting it at £434,000,000, the other at £425,000,000), though they differ materially as to its distribution; but Mr. Money's estimate exceeds theirs by no less than £150,000,000.

The explanation is to be found in the fact that all three estimates of the total of incomes exceeding £700 are based upon, or are ultimately determined by, prior estimates of the assessed income as a whole. We must, therefore, for the sake of understanding the figures just given, and also as a first step towards arriving at an independent computation of our own, consider the grounds on which any estimate of the entire assessed income must be based.

These are to be found in the officially published returns to income-tax.

The Statistical Abstract begins its income-tax tables with one which sets forth "the gross amount of income brought under review of the Inland Revenue Department" for purposes of assessment. The total for the year 1905 was £925,000,000. Now many persons unversed in statistics imagine that the "gross amount" thus given represents the sum of the personally spendable enjoyed by that body of private persons whose individual incomes are in excess of £160. As a matter of fact, however, the gross income brought under review is a very different thing from the income actually enjoyed. Before this is arrived at, there are large deductions to be made. Apart from abatements (which have

nothing to do with amount of spendable income, but merely represent a clumsy method of graduation), the real deductions for the year 1905 were as follows :

TABLE Xa

| | £ |
|---|---|
| (i) Incomes under £160, exempt and dealt with by mistake | 52,000,000 |
| (ii) Upkeep of houses and estates | 38,000,000 |
| (iii) Wear and tear of machinery | 15,000,000 |
| (iv) Empty premises | 7,000,000 |
| (v) Charities, &c. | 10,500,000 |
| (vi) Over-assessments adjusted and incidental deductions | 47,400,000 |
| (vii) Municipal bodies | 20,000,000 |
| (viii) Life-insurance premiums | 9,800,000 |
| | £199,700,000 |

These deductions reduce the gross amount "reviewed" from £925,000,000 to £726,000,000 ; and Sir H. Primrose, for fiscal purposes at all events, was in favour of deducting some £46,000,000 more, in respect of income paid to foreigners, income from Chancery funds, &c. &c., thus reducing the spendable and actually distributed income to £680,000,000 ; and in this procedure Mr. Bowley follows him. He too takes £680,000,000 as the total sum to be accounted for. Mr. Money, on the other hand, not only repudiates this last class of deductions. He strikes out also from those mentioned in the above table certain items which obviously stand for some £29,000,000, leaving the amount admitted by him at £170,000,000. The apparent total of actually spendable assessed income is thus, according to him, £755,000,000. This sum, however, is very much too small to

satisfy him; and he accordingly supplements it by a further sum of £75,000,000, on account, so he says, of income which is in all probability concealed. He thus ends with a total of £830,000,000 as against the £680,000,000 of Sir H. Primrose and Mr. Bowley. Such being the case, Mr. Money asserts it as a fact, and the others adopt it as a fair working hypothesis, that the sum of all incomes below £700 is something not far removed from £250,000,000, and their several estimates of the sum of incomes of £700 and upwards are in each case reached by the same process, namely, that of subtracting the sum of the lower class of incomes from the total. Mr. Money's estimate, then, for incomes above £700 is some £150,000,000 in excess of the estimates of Sir H. Primrose and of Mr. Bowley, because, on the one hand, he refuses to accept £75,000,000 of their deductions and, on the other hand, adds, by an act of conjecture, another £75,000,000 of his own.

Now with regard to a certain portion of the deductions made by Sir H. Primrose and adopted by Mr. Bowley, namely, those relating to income existing, but not at the time distributed in spendable shares amongst individuals—*e.g.* income from Chancery funds, the reserve funds of insurance companies, &c.—Mr. Money's objection appears to me to be sound, the true deductions being limited to the items in the above table, the total amount being practically £200,000,000. This would leave a net spendable income of £726,000,000.

There is, however, a further fact to be noticed, which seems here to have escaped the attention of Sir H. Primrose and Mr. Bowley alike, though it is specially mentioned in the Board of Trade Blue-book (Cd. 1954, p. 137) published in 1909. This is the fact that, since the year 1896, the profits derived from farming have been estimated, for purposes of assessment, at a sum which is short by some £23,000,000 of their true net amount; and this sum must, for our own purpose, be restored, as the Blue-book in question restores it in its table of assessed income. This restoration being made, we get a net spendable total of about £750,000,000.

But there still remains the question of evasions. Mr. Money's estimate of these as £75,000,000 has been generally set aside as absurd, the largest amount with regard to which evasion is possible being, in the opinion of experts, not more than £70,000,000. If we suppose that so much as half that sum is successfully concealed in reality, the total is not more than £35,000,000. Against this must be set the notorious fact that the allowances for wear and tear and upkeep of estates, houses, factory buildings and machinery are notoriously inadequate to the outlay they purport to represent, whilst a variety of losses, written off as such commercially, are treated by the Inland Revenue for purposes of income-tax as profits. We must, therefore, from the evasions on the part of the tax-payers as to income, deduct the counter-evasions of the Government in respect of certain allowances; and if the latter do not

actually exceed the former,* the one will, at all events, cancel out the other. The true aggregate will, therefore—let it be said once more—amount as nearly as possible to £750,000,000.

### § 34. Incomes over 700 = what is left, after deducting the sum of incomes below £700 from the net total

Taking this estimate of the total, then, as our own working hypothesis, let us follow the method of Mr. Money, Mr. Bowley, and Sir H. Primrose; and, in order to arrive at the sum of incomes exceeding £700, let us subtract from that total the amount we have reached already as the sum of incomes from £700 down to £160.

Just as our own estimate of the total spendable income exceeds that of Mr. Bowley and Sir H. Primrose by £75,000,000, so does our own estimate of incomes below £700 exceed it by the same amount. Whereas they both put it at about £250,000,000, our own computations, as set forth in Table IX., bring us up to the figure of £349,000,000. This amount, then, being subtracted from our own estimated total, what remains for us as the sum of the incomes exceeding £700 — namely, £400,000,000 or thereabouts— differs by but 5 per cent. or less from the closely

* *See* Mr. Iveson's work, "The People's Progress," chaps. x and ix. Mr. Iveson's professional acquaintance with business methods and matters renders these chapters exceptionally interesting. The inadequacy of the allowances made by the Inland Revenue in respect of losses, depreciation of all kinds, &c. (which he specifies in great detail), more than counterbalances, in his opinion, the loss experienced by the Exchequer through evasions on the part of the tax-payer.

coincident estimates of Sir H. Primrose and Mr. Bowley. So far, then, we all start from approximately the same premises. The only question at issue will relate to the number of persons amongst whom, and to the manner in which, this income of something over £400,000,000 is distributed.

And here again Mr. Bowley's computations shall be our starting-point, taken in conjunction with those of Sir H. Primrose. Both these statisticians sub-divide the group of incomes in question into those between £700 and £5000 and those which exceed £5000. Now it will be seen by reference to Table X. that as to one point Sir H. Primrose and Mr. Bowley are substantially in fair agreement. But with regard to the total amount of these incomes the two differ very considerably, Sir H. Primrose putting it at £121,000,000, Mr. Bowley at £200,000,000; whilst with regard to the incomes between £700 and £5000, Sir H. Primrose puts the number at about 270,000 and the amount at £304,000,000, whereas according to Mr. Bowley the number is only 156,000 and the amount is only £233,000,000. Sir H. Primrose, however, does not go into further details; Mr. Bowley does. He treats the higher incomes as minutely as he treated the lower, giving a long series of figures, each of which can be discussed on its own merits. These figures, therefore, which are reproduced in the following table, shall, as was just now said, be our starting-point.

TABLE XI. MR. BOWLEY'S ESTIMATES AS TO INCOMES EXCEEDING £700, AS GIVEN IN BLUE-BOOK 365, P. 229

| Range of income. | Number of persons. | Total income. | Average income per person. | Average rent of house corresponding to income. | |
|---|---|---|---|---|---|
| £ 700– 800 | 25,400 | £ 19,000,000 | £ 750 | £ 70 | |
| 800– 900 | 19,100 | 16,200,000 | 840 | 76 | Total number of persons and incomes, 154,920. Aggregate income, £233,000,000. |
| 900– 1,000 | 15,100 | 14,300,000 | 940 | 83 | |
| 1,000– 2,000 | 62,900 | 86,600,000 | 1,400 | 90 | |
| 2,000– 3,000 | 18,700 | 45,300,000 | 2,400 | 140 | |
| 3,000– 4,000 | 8,710 | 30,000,000 | 3,500 | 190 | |
| 4,000– 5,000 | 4,970 | 22,000,000 | 4,400 | 249 | |
| 5,000– 6,000 | 3,570 | 19,000,000 | 5,300 | 280 | Total number of persons and incomes, 14,580. Aggregate incomes, £200,000,000. |
| 6,000–10,000 | 6,010 | 46,000,000 | 7,600 | 325 | |
| 10,000–50,000 | 4,650 | 85,000,000 | 19,000 | 460 | |
| Over £50,000 | 350 | 50,000,000 | 140,000 | Not given | |

### § 35. The evidence afforded by houses

Now before we attempt to examine this series of figures, there is one feature in the Table to which special attention must be drawn. That is the column in which Mr. Bowley deals with houses. In introducing it he is invoking evidence of a fresh kind, quite independent of that supplied by the returns to income-tax. It is a kind of evidence, moreover, to which in our own computations, whether relating to the assessed income or to the income of the poorer classes, no reference has thus far been made. The reader, however, has more than once been warned that the various estimates put forward in the foregoing pages must be taken as merely hypothetical until evidence of an independent kind should be adduced, which might correct or verify them. The evidence alluded to was precisely this, namely, the number and value of the houses in which the various sections of the population live. The cardinal importance of such evidence is recognised by Mr. Money and Sir H. Primrose no less than by Mr. Bowley. It would, however, appear that neither Mr. Money nor Mr. Bowley have done justice to it, or even considered it, in its entirety. Both of them, in the evidence which they submitted to the Select Committee on Income-tax, appear to have confined their attention to houses above a certain annual value, which wouldprobably be occupied by persons having incomes above a certain amount, and neither of them reinforced

his conclusions by any specific reference to the houses of the country as a whole. We will do this now.

### § 36. The actual number of private houses having different rental values

An official record is given yearly for Great Britain of all houses, classified according to their rental value. The Statistical Abstract simply divides them into two groups—those whose value is above and below £20 a year. For the year 1905 the number of the former was 1,414,000, that of the latter 6,047,000. The Statistical Abstract does not analyse their values further; but the figures obtainable are given in the Annual Report of the Inland Revenue Department, and are partly reproduced, in a convenient form, by Mr. Williams in "The King's Revenue," pp. 151–3. The houses not exceeding £20 in annual value were as follows in 1905:

TABLE XII. VALUE AND NUMBER OF HOUSES THE RENT OF WHICH DOES NOT EXCEED £20 (GREAT BRITAIN)

| Rental value per house. | Number. | Aggregate annual value. | Annual rent per house. |
|---|---|---|---|
| Under £10 | 3,148,000 | £20,015,000 | £6 5s. |
| £10–£15 | 1,974,000 | £23,500,000 | £12 0s. |
| £15–£20 | 925,000 | £15,640,000 | £16 16s. |
| Total . . | 6,047,000 | | |

As to the houses whose annual value exceeds £20, the number in 1905 was, in round numbers, 1,414,000. The following table, condensed from the Report of the Commissioners of Inland Revenue, classifies them according to their rental values.

TABLE XIII. PRIVATE HOUSES IN GREAT BRITAIN ABOVE £20 IN ANNUAL VALUE

| Annual value. | Number. | Average value per house. | |
|---|---|---|---|
| £20–£25 | 388,000 | £21 | Number of houses having annual values from £20 to £60 : 1,238,000 |
| £25–£40 | 635,000 | £31 | |
| £40–£60 | 215,000 | £49 | |
| £60–£150 | 148,000 | £97 | Number of houses having annual values from £60 to £300, assigned by Mr. Bowley to families with incomes between £700 and £5000 : 169,000. |
| £150–£200 | 16,000 | £160 | |
| £200–£300 | 13,000 | £240 | Mr. Bowley's estimate of families, 155,000. |
| £300–£500 | 7,400 | £390 | Number of houses having annual values exceeding £300, assigned by Mr. Bowley to families with incomes exceeding £5000 : 11,290. |
| £500–£1000 | 2,800 | £660 | |
| Over £1000 | 960 | £2000 | Mr. Bowley's estimate of families, 14,580. |

## § 37. The presumable relation of the value of houses to the incomes of their occupants

Now, as Sir H. Primrose has observed, in inquiries such as the present, where much has to be done by means of inference and reasonable

assumption, it is essential to start, when we are summing up our conclusions, with such facts as are neither assumptions nor inferences, but matters of knowledge which is absolute and more or less precise.

Here, then, we have two such facts at our disposal, namely, the number of the entire population, whether measured by families or persons, on the one hand, and the number of private houses and their respective values on the other. Let us take the houses first. Their total number, as shown in Tables XII. and XIII., is about 7,465,000. But to this it will be necessary to make two additions, namely, 850,000 houses for Ireland and about 300,000 residential shops and farm-houses, neither of which is included in the preceding Tables. We thus get a gross total of about 8,615,000.

Let us now turn to the population. This, as we have seen already, was in the year 1905 43,222,000. That is to say, it consisted of about 8,644,000 families. Hence the number of houses, as just given, and the number of families or households correspond, not indeed with mathematical exactitude, but with an exactitude which is substantially complete. Thus far, then, we are on firm ground. And to these facts we must add another, which, though of a different order, is no less certain, namely, that, all allowances being made for exceptions, the houses lowest in value will be monopolised by the poorest families, and the houses of the highest value by the richest. Let us, then, combine Tables XII. and XIII.,

TABLE XIV

| Rental value of houses. | Actual value of houses. | | Actual number of families according to population returns. | Number of families according to previous estimates in the present work. |
|---|---|---|---|---|
| Under £20 | Great Britain . 6,047,000<br>Ireland . . 830,000<br>Small farm-houses (not separately distinguished from farms) . . . 240,000 | 7,117,000 | | Families with incomes up to £160, 7,100,000.* |
| £20–£60 | Great Britain . 1,238,000<br>Ireland . . 15,000<br>Residential shops . 60,000 | 1,313,000 | | Families with incomes from £160 to £700, 1,177,000. |
| Over £60 | Great Britain . 180,000<br>Ireland . . 5,000 | 185,000 | | Families with incomes above £700, at the assessed rate of one house per family, 202,000. |
| | Actual total of houses . . | 8,615,000 | 8,644,000 | 8,479,000 |

* This number is obtained by deducting 460,000 families, given in Table VIII. as having just over £160 a year, from the total number of families there dealt with.

making the additions just mentioned for Ireland and residential shops, etc. We shall thus have a conspectus of all the private dwellings in the United Kingdom, and be able to set against them certain figures with regard to the population.

If we compare the totals here given for houses and families as a whole, the discrepancy between the two is so slight as to be negligible. The houses may be compared to an hotel, assumed to be full and having eighty-six bedrooms, and the two totals for families—the actual and the estimated—as given in the opposite table, to two lists of guests one of which puts them down as eighty-six adults and a child, the other as eighty-four adults and a child. A difference so slight as this might be easily accounted for in a variety of obvious ways, but to attempt to do so here would be to affect a degree of accuracy which is not really attainable. In this connection, however, it is necessary to take note of one thing. The estimated number of families and incomes given in the third column, falling short, as it does, of the total number of houses by 166,000, nearly the whole of this number must be added to the families occupying houses below £60 in value, partly because as to these there is more room for miscalculation and partly because the houses of a higher value are so few that the proportionate addition would be inappreciable.

The number of houses and families, then, and the general correspondence between them, being taken as substantially established, and our object

being to use the respective values of the houses as indications of the manner in which the incomes of the inhabitants are distributed, the next question to be considered is how to determine the relation, for each group, between the income which the family receives and the value of the houses which it occupies.

### § 38. Average proportion of rent to the entire income of the nation

Whatever may be the relation which in each case we assume, it is admitted by all statisticians that there will be numerous individual exceptions to it ; but it is admitted also that these, in their excess and defects, will balance each other, and that the average for each group is all that demands our consideration. Now the aggregate rent of all the private houses in the kingdom (sites included) amounts to about one-fourteenth of the entire national income.* Thus, if we were to take an average for all families together, the value of the house would in each case be about one-fourteenth (or a little less) of the family income. If, however, we take the groups of families and incomes separately, we shall find that this general average is in some cases too high or too low ; *e.g.* we cannot assume that a man with £100,000 a year is likely to spend as much as £17,000 a year on house-rent, or that a man with £1200 a year is likely to spend either as much as or not more than £80.

* Total rent of private houses about £120,000, in 1905. *See* Cd. 4868 Tables 149 and 157.

But there is a general agreement amongst statisticians, and also amongst builders and architects, as to one point out of several, namely, that families with incomes exceeding £700 will be found to spend on their house-rent something in excess of £60. Such, as we have seen already, is the assumption of Mr. Bowley; and we will, in examining his estimates, begin with those relating to incomes exceeding £700.

### § 39. House-rent as related to incomes exceeding £700 a year

It will be seen that, according to Mr. Bowley's computations, Table XV., the number of families with incomes between £700 and £5000 is less by some 14,000 than the actual number of such houses as he thinks they would be likely to occupy; and that the number of families with incomes exceeding £5000 is greater by about 3000 than the actual number of such houses as he thinks they are likely to occupy. Let us see if we can rectify these discrepancies by the assumption of certain reasonable probabilities, especially those put forward by Sir H. Primrose, Blue-book 365, p. 5.

### § 40. House-rent as related to incomes exceeding £5000 a year

We will begin at the top of the scale, and analyse more minutely the figures given by the Inland Revenue Department with regard to houses whose rental value exceeds £300, taking these in connection with the character of their probable

## Table XV.

### Incomes over £700 and Houses over £60 Annual Value

| Mr. Bowley's figures (see Table XI) summarised. | | | | Actual number of houses. | Relation between actual number of houses, and Mr. Bowley's estimate as to families. |
|---|---|---|---|---|---|
| | Rent of houses. | Income of occupying families. | Number of families. | | |
| i. | £60–£100 | £700–£2000 | 121,000 | 97,000 | Actual number of houses 169,400. Mr. Bowley's estimate of number of families 153,300 (about 16,000 families too few). |
| ii. | £100–£150 | £2000–£3000 | 18,700 | 43,000 | |
| iii. | £150–£200 | £3000–£4000 | 8,700 | 16,000 | |
| iv. | £200–£300 | £4000–£5000 | 4,900 | 13,400 | |
| v. | Over £300 | Over £5000 | 14,500 | 11,290 | About 3000 more families than houses |
| | Mr. Bowley's total of families | | 167,800 | 180,690 | |

occupants. Here one point is to be noted which Mr. Bowley admittedly ignores, but the importance of which has been insisted on by Sir H. Primrose. Mr. Bowley assumes in his computations that for each family there is only one private house. In the vast majority of cases this assumption is obviously true, but with regard to the richest class it is just as obviously untrue.

The number and grouping of houses above £300 in annual value is as follows: (1) Houses with annual value of more than £1000—960. (2) Houses with annual values between £700 and £1000—930. (3) Houses with annual values between £500 and £700—1780. (4) Houses with annual values between £300 and £700—7400.

Now the first group will be manifestly occupied by the 960 richest men in the kingdom, of whom, according to Sir H. Primrose (*see* Blue-book 365, p. 7), about 200 will have over £40,000 a year, and the remaining 560 will have probably over £25,000. Each of such persons, we may take it, will have at least two subsidiary houses, and many of them will have three. They will, therefore, certainly occupy some 3000 houses between them.

If we make a similar supposition with regard to the second group, these houses will be occupied by nearly 1000 men with an average income of some £18,000. Such men will certainly have from two to three houses apiece, and will occupy between them not less than 2500 houses.

On a similar supposition, group three will be occupied by 1780 men, with an average income of

some £10,000. Such men will probably have two houses apiece, and will occupy not less than 3500 between them.

Group four will be occupied by 7400 men, with an average income of £7500. As to these, we may take it that a third of them will have only one house apiece, and that two-thirds will have two. Between them they will occupy about 12,500 houses.

Such would be the case if all the houses (about 3670 in number) over £500 in annual value were occupied by different persons with over £5000 a year. Such a supposition, however, manifestly requires modification; for, if it were correct, none of the persons in question could have more than one house presumably suitable to his fortune. The millionaire, or the man with some £25,000 a year, who occupies a house worth £1500 a year in London, would have to put up with two or three houses elsewhere, averaging in value about £240 (*see* Table XIII.), which would hardly hold his servants, to say nothing of himself and his family. The probability is that the houses in the first two groups (2110 in number), exceeding £700 in value, form the principal or the London residences (for 75 per cent. of these houses are in London) of the 2000 or more richest families in the kingdom; and that about half of them, with incomes exceeding £20,000, will have one additional house each between £500 and £700 in value, one between £300 and £500 in value, and perhaps a third, the value of which in value is below £300; whilst the other half, with incomes averaging

£15,000, will have one additional house between £300 and £500 in value and perhaps another whose value is below £300. These 2000 persons will, at all events, occupy between them all the houses whose value exceeds £700, 1000 out of the 1780 houses whose value is between £500 and £700, and 2000 of the 7400 houses whose value is between £300 and £500—5000 houses in all.

### § 41. Limits imposed on possible number of largest incomes by paucity of suitable houses

We are thus left with only a little over 6000 houses exceeding £300 in value. But if Mr. Bowley's estimate is correct, that the number of incomes exceeding £5000 is 14,500, we shall still have some 12,500 families with incomes ranging from £5000 to £15,000, to accommodate; and, even if we were to suppose that such families would have only one house apiece, we should have to assign half of them to houses of a lower value than those which Mr. Bowley regards it as probable that such families would occupy. But when we consider that of such families, whatever their actual number, the average income of one-third would probably be £10,000 a year, and that of the remainder £7500, we may take it as certain that most of them will have a secondary residence of some kind, so that the number of houses required will exceed that of the families by two-thirds—that is to say, 12,500 families would require some 20,000 houses. Now, as shown in Table XIII., Mr. Bowley's computations leave us with over 13,000 houses between £200 and £300

in value, for which he provides no occupants. But even if we added these houses to those remaining from the class above, and allotted them all to families with over £5000 a year, we could do this only by a sacrifice of all the houses which Mr. Bowley allots, very reasonably, to families with incomes between £4000 a year and £5000. On the whole, it appears evident that Mr. Bowley has under-estimated the number of incomes between £700 and £5000 by several thousands, and has over-estimated the incomes above £5000 by at least 2500, the true number being, in accordance with the view of Sir H. Primrose, something less than 12,000.

So prolonged a discussion of the small group of larger incomes may seem to some readers a needless splitting of hairs ; but this group has formed the subject of so many wild exaggerations that it is very important to reduce the facts of the case to the dimensions imposed by what is possible, and arrange them, so far as may be, in accordance with what approximately must be. In the light, then, of the foregoing observations, let us re-cast Mr. Bowley's estimates, as given in Table XIV., so as to bring them into accordance with facts, some of which he appears to have overlooked whilst others (as he warns us) were excluded by him.

### § 42. The main divergence of these estimates from those of other statisticians

The most important divergence of the estimates given in this volume from those of Sir H. Primrose,

TABLE XVI. REVISED TABLE OF INCOMES ABOVE £700, AND OF HOUSES ABOVE £60 IN ANNUAL VALUE

| | Range of rent. | Number of houses. | Number of incomes corresponding. | Average income. | Aggregate incomes. | |
|---|---|---|---|---|---|---|
| Principal houses . | Over £700 | Nearly 2,000 | | 200 over £50,000 | | |
| Secondary ,, . | £500–£700 | 1,000 } 5,000 | 2,000 | 800 £20,000 | £53,000,000 | Over £5000, £133,000,000. |
| Smaller ,, . | £300–£500 | 2,000 | | 1000 £15,000 | | |
| Remainder . . | £500–£700 | 780 | | | | |
| ,, . . | £300–£500 | 5,400 } 16,000 | 10,000 | £8,000 | £80,000,000 | |
| Portion of whole . | £200–£300 | 10,000 | | | | |
| Remainder . . | £200–£300 | 3,000 | 3,000* | £4,500 | £13,000,000 | From £700 to £5000, £267,000,000. |
| Entire number . | £150–£200 | 16,000 | 16,000* | £3,000 | £48,000,000 | |
| ,, ,, . | £60–£150 | 140,000 | 140,000 | £1,400 | £206,000,000 | |

* This division of 19,000 incomes can only be taken as approximately correct.

F

Mr. Bowley, and indeed (so far as the present question is concerned) from those of Mr. Chiozza Money, relates to a point midway between the two extremes. The number of families here given as possessing incomes between £160 and £700 a year is about 1,230,000. The highest estimate given by any one of the others is 830,000. The larger estimate given here, though at first put forward as an hypothesis based on certain probabilities, can now be confirmed by reasoning of a much closer kind. Sir H. Primrose and Mr. Bowley both assume (and Mr. Money modifies their assumption to only a very slight degree) that the bulk of the houses worth more than £60 a year will be occupied by families having more than £700 a year. This supposition is endorsed by the common sense of everybody. Appeal is made here to reasoning of an identical kind.

### § 43. The evidence of houses reviewed in relation to the number of families with incomes between £160 and £700

The number of houses ranging in annual value from £20 to £60 is something over 1,230,000. If there are only 830,000 families having incomes between £160 and £700, these persons, we may take it for granted, will occupy the most valuable of the houses here in question; and 400,000 will be left, so far as these families are concerned, unoccupied. Now the entire group of houses here in question, as will be seen by reference to Table XIII., comprises 215,000 with an average annual value

of £49; 635,000 with an average annual value of £31; and 388,000 with an average annual value of £21. Such being the case, Mr. Bowley's 830,000 families will occupy all the 215,000 houses worth £49 and 615,000 of the 635,000 of the houses worth £31; but at that point their powers of occupation will end. We shall still have on our hands 20,000 at £31 a year and 388,000 at £21. These houses have occupants of some kind; the question is—Of what kind?

A house worth £21 a year in rent will probably, with rates and taxes, cost its occupants at least £25. A house worth £31 a year in rent will not cost its occupants less than £36. If Mr. Bowley's estimate is correct, there must be 388,000 families having less than £160 a year (let us say £150) who pay for their house accommodation £25 a year, and 20,000 families having (say) £155 a year who pay for their house accommodation £35 a year. What is here contended is that to suppose such to be the case is contrary to all probability, and that, apart from scattered exceptions, such houses as cost their occupants from £25 a year upwards to occupy will be in the possession of persons having more than £160 a year.

Can this contention be impugned? If anybody thinks that it can, it remains for us to approach the problem by another route altogether. Instead of travelling downwards from houses worth just under £60, let us begin at the bottom of the scale, and travel upwards from houses worth less than £10.

If we turn back to Tables VIII. and XIV., we shall see that, inclusive of the highest class of artisans (whose family incomes, though exceeding £160, are not assessed, because not individually earned), there are in the United Kingdom about 7,100,000 non-assessed families. We shall see also that, allowance being made for residential shops and for Ireland, we have practically the same number of houses having an annual value of less than £20. Also we shall see that, so far as Great Britain is concerned (for only with regard to Great Britain are the house statistics exact), these houses divide themselves into three groups, worth respectively less than £10, between £10 and £15, and between £15 and £20, the respective numbers of which correspond broadly with the numbers of three groups of workers, classified according to earnings, as deducible from Sir R. Giffen's figures on which our own estimates have been based. The discrepancy between the number of houses and the estimated number of occupants is disposed of by the additions requisite on account of residential shops and Ireland.

The state of the case is summarised in the opposite Table :

These figures speak for themselves. The population represented by the 7,100,000 families occupying 7,100,000 houses of less than £20 in value will be 35,500,000. The population represented by the occupants of 1,414,000 houses above £20 in value will be 7,070,000. If we add about 500,000 persons (the correct number) who are indoor

paupers, prisoners, lunatics, imbeciles and other inmates of asylums, we get a total population of somewhat over 43,000,000, which was the actual population of the country in 1905. Whence, then, we ask once more, do the 400,000 families come,

TABLE XVII. THE NUMBER OF THE NON-ASSESSED INCOMES AND THAT OF HOUSES UNDER £20 IN ANNUAL VALUE

| Range of rent. | Number of houses exclusive of residential shops and Ireland. | Number of family incomes. | Assessed of family incomes. |
|---|---|---|---|
| Under £10 . . | 3,148,000 | 3,622,000 | Under £130 |
| £10–£15 | 1,974,000 | 2,357,000 | Average £156 |
| £15–£20 | 925,000 | 1,120,000 | (Non-assessed) Average £190 |
| Houses, Great Britain . . | 6,047,000 | 6,999,000 | |
| Ireland and residential shops . | 1,100,000 | | |
| United Kingdom . | 7,147,000 | (round numbers) 7,100,000 | |

occupying the 400,000 houses worth more than £20 a year, for whom Mr. Bowley can find no place amongst the ranks of those who pay income-tax? It is possible, of course, that some of them may be artisan families, with family incomes of nearly £200 a year, which are not assessed because not earned by one person. Should such be the case,

it would be a matter of importance for the tax-collector, but it would not affect our estimate of the social conditions of the community. These families would be no poorer because they were not assessed. On the contrary, they would be richer in proportion to the amount of income-tax which they escaped. Our estimates would be altered by the transference of so many individual earners or recipients from the class whose incomes averaged (say) £170 to a class whose incomes averaged £155, and by a substitution for them of so many families whose jointly earned incomes were somewhat larger, but the fact would remain that the 400,000 houses in question, which would cost their occupants between £25 and £36 a year, would have to be filled up by families whose incomes, however derived or composed, could not be less than £160 a year.*

The probabilities are that such families would all be assessed, because, if we may trust opinions founded on extensive observation, "middle-class families," in the ordinary sense of the phrase, are apt, in proportion to their means, to spend more on their house accommodation than artisan families whose incomes may be appreciably larger. But without insisting on the question of assessment or non-assessment, it appears incontrovertible,

* The only plausible answer to this argument is to be found in the fact that a number of families occupy parts of houses only. Indeed this answer has been urged by Mr. Chiozza Money in a criticism of an article by the present writer in *The Nineteenth Century*. It is dealt with at length in a later section of this work, where it is shown to accentuate the difficulty above indicated, instead of solving it.

when all the facts are considered, that the number of families with incomes exceeding £160 a year cannot be less in number than the houses whose rental value exceeds £20 a year, and whose annual cost is as much as, or more than, £25.

In other words, the number of family incomes below £160 is about 7,100,000, and the number of incomes above £160 is over 1,400,000.

### § 44. Various independent tests of the accuracy of the foregoing estimates

These estimates have been reached by a consideration of various independent kinds of evidence, namely, the Board of Trade reports as to wages at a given period and their subsequent rates of increase, the subsequent increase of the population or of the number of families of which the population is composed, the income-tax returns in all their principal details, and the official summaries of the actual number of houses, analysed into groups according to their respective values. There are various details—notably the disposition of incomes exceeding £5000 a year—which are open to legitimate dispute ; but any modifications in these respects of the figures that have been here given would not alter the character of the results from a national point of view. Their substantial accuracy is confirmed by all the evidential tests to which appeal has been thus far made. But it still remains for us here to invoke one test more.*

* Other subsidiary evidences—those of male servants and carriages—are dealt with in a later section.

In Table VIII., based on the evidence of Sir R. Giffen, in which the non-assessed families have been grouped according to the range of their respective income, the average family income for each group has been given. Similar averages have been given in Table XVI. for each of the various groups of families having incomes ranging from £700 a year upwards. These last, except such as relate to the few thousand families having incomes above £5000, are based on the computations of Mr. Bowley. It still remains for us to deal in a similar way with the groups of families having incomes between £160 and £700. We will here take as our basis the computations of Mr. Bowley likewise. That is to say, so far as the payers of income-tax are concerned we will take Mr. Bowley's estimates of the average income in each group, only altering, where necessary, the estimated number of the families of which each group is composed. The final test, then, of the substantial accuracy of our own estimates will be this: the accordance of the total yielded by the estimated average incomes in each class when multiplied by the estimated number of such incomes, with the commonly accepted estimates of

* The possibility of complete accuracy in respect of the actual number of houses is somewhat affected by Ireland's residential shops, with regard to which no official figures are available. It is commonly estimated with regard to houses over £20 in value that the addition to be made in respect of Ireland is not more than 2½ per cent. The figures given above are the official figures for Great Britain. As to houses below £20 in value, the additions made, on account of these unrecorded dwellings, to the official figures are 916,000 for groups ix and x and 130,000 for group viii.

TABLE XVIII. ESTIMATED AVERAGE INCOME FOR EACH GROUP MULTIPLIED BY ESTIMATED NUMBER OF FAMILIES IN EACH GROUP, SO ARRANGED AS TO ENABLE A COMPARISON TO BE MADE BETWEEN THE GROSS TOTAL THUS RESULTING AND THE COMMONLY ACCEPTED ESTIMATES OF THE NATIONAL INCOME AS A WHOLE.

| | Range of house rent. | Actual number of houses.* (See note on p. 88) | Number of incomes and families corresponding. | Average incomes. | Aggregate incomes. | Summarised aggregates for groups. | |
|---|---|---|---|---|---|---|---|
| i. | Over £300 | 11,000 | 200 over £40,000 | Over £100,000 | £22,000,000 | Over £5000 £133,000,000 | Net assessed income of private persons, £750,000,000 |
| | Portion of houses, £200 to £300 | 10,000 (21,000 houses to 12,000 families) | 800 Average £20,000 | £20,000 | £16,000,000 | | |
| | | | 1,000 Average £15,000 | £15,000 | £15,000,000 | | |
| | | | 10,000 Average £8000 | £8,000 | £80,000000 | | |
| ii. | Remainder of houses between £200 and £300 | 3,000 | 3,000 | £4,500 | £13,000,000 | From £700 to £5000 | |
| iii. | £150–£200 | 16,000 | 16,000 | £3,000 | £48,000,000 | £267,000,000 | |
| iv. | £60–£150 | 140,000 | 140,000 | £1,400 | £206,000,000 | | |
| v. | £40–£60 | 215,000 | 215,000 | £530 | £110,000,000 | From £160 to £700 £350,000,000 | |
| vi. | £25–£40 | 635,000 | 635,000 | £270 | £171,000,000 | | |
| vii. | £20–£25 | 388,000 | 388,000 | £180 | £69,000,000 | | |
| viii. | £15–£20 | 1,120,000 | 1,120,000 | £190 | £212,000,000 | £985,000,000 | Non-assessed income, £985,000,000. |
| ix. | £10–£15 | 2,359,000 | 2,359,000 | £156 | £379,000,000 | | |
| x. | Under £10 | 3,622,000 | 3,622,000 | £109 | £394,000,000 | | |
| | Totals . . | 8,517,000 | 8,480,000 | | | £1,735,000,000 | |

the national income, non-assessed and assessed, in its entirety.

It will be seen that the national income, according to the detailed analyses which have thus far been given in these pages, is short by £15,000,000 of the amount at which it is currently estimated, namely, £1,750,000,000. The discrepancy is due, so far as the above estimates go, to those relating to the non-assessed portion of the total. As will appear hereafter, for other reasons than any suggested by the above table, these estimates of the amount of the non-assessed income are too low. For the moment, however, it will be sufficient to remark that the deficit here revealed—namely, £15,000,000—is to be accounted for in a way which deserves special attention. Whilst the estimates relating to the assessed income and its distribution have been based primarily on the official statistics as to income-tax, for the actual year in question, those relating to the non-assessed income are based on Board of Trade figures for a period more than twenty years anterior to the present, these figures having been brought up to date by a process which affects all incomes equally —namely, that of increasing the earlier figures as a whole, firstly in accordance with the subsequent increase of the population, and secondly in accordance with the average of increase per head in the amount of such incomes, if taken as a whole likewise. The results of this process, as we have seen, are curiously close to the facts, otherwise verifiable, of to-day. It will appear, however, from a more

minute consideration of the case, that in one respect they require a slight, though appreciable, modification. This modification is confined to the non-assessed section of the lower middle class. The number of families comprised in this class is given in Table VIII. as 920,000, and is there treated as a portion of one of the higher classes of wage-earners. As a matter of fact, however, the lower middle classes as a whole, whatever may be the case with regard to their individual incomes, have increased in number more rapidly than the manual workers—a fact which is illustrated alike by the increase of middle-class houses and also by the multiplication of incomes assessed under Schedule E. Their collective income will, therefore, at the present time be sufficiently in excess of the amount allowed for it in Table VIII. to raise the non-assessed income as a whole to something in excess of £1,000,000,000.

With regard to the further addition which we ultimately shall have to make to it, it is enough here to remark that the total, as estimated thus far, stands mainly for the sum that is earned by labour or other business work, whilst the sum which still remains to be considered is income arising from widely diffused small properties. On the other hand, the assessed incomes, as given in the above table, include not only earned incomes but those arising from property also.

## § 45. Summary of the conclusions thus far reached with regard to the distribution of incomes

When these facts, and others connected with them, shall have been submitted to detailed examination, the state of affairs as thus far presented will be modified in various interesting ways. Meanwhile, however, the preceding Table may nearly, so far as it goes, be taken as substantially correct, and the larger part of the ground, though not the whole, is covered by it.

The imagination of the reader will probably be assisted if the variety of details given in Table XVIII. are reduced to a few round numbers and tabulated afresh, as follows :

TABLE XIX. SUMMARY, IN ROUND NUMBERS, OF GENERAL DISTRIBUTION OF FAMILY INCOMES, AS GIVEN IN TABLE XVIII.

| | | |
|---|---|---|
| | Families with more than £160, including highest class of artisans non-assessed . . | 2,600,000 |
| | Families with average income of £156 | 2,400,000 |
| | Families with average income of £120 | 2,000,000 |
| For these families *see* Table VIII. | Families with average income below £100 . . . | 1,400,000 |

Such, then, are the broad conclusions to which our inquiries lead us, and the general picture which

they present to us of existing social conditions is of a character astonishingly different, not only from that which dominates the imaginations and determines the practical programmes of fanatical socialists and other extreme reformers, but also from that which exists more or less vaguely in the minds of multitudes of saner and more sensible men. These inquiries, pursued along a variety of independent lines, all converge in the conclusion that, to put the matter roughly, whilst one family out of every four is supported on an income exceeding £160, three families out of every six are supported on incomes exceeding £150, and that five out of every six are supported on incomes exceeding £100. The remaining sixth, which consists of over 1,400,000 families and represents a population of 7,000,000 or 8,000,000 persons, will be partly composed of regular but unskilled workers having family incomes which (apart from the earnings of daughters in domestic service) are on an average a little over £70, and partly of the families of workers who are described as "sweated," of the fitfully employed and the unemployable.

The general situation, in short, may with substantial accuracy be represented in the following way. The entire number of families in the United Kingdom amounting approximately to 8,600,000, let us suppose that these are represented, proportionally in accordance with their incomes, by 860 persons assembled in a hall for the discussion of social questions. At one end of the hall is a gallery with 150 seats, admission to which is free ;

at the other end is a platform, with an arm-chair for the chairman, a gilt chair on each side of it for his two most prominent colleagues, and seventeen less conspicuous chairs besides; whilst the floor of the building has seats for 680 persons—480 at 1*s.* and 200, farther back, at 6*d.* Let these places be allotted to occupants according to their incomes, and we shall have 150 men with less than £100 a year in the gallery; 200 in the 6*d.* seats, with incomes between £100 and £150; 480 in the 1*s.* seats, with incomes between £150 and £700; seventeen on the platform, with incomes between £700 and £2000; the chairman's two colleagues, with incomes between £2000 and £5000; and one man, the chairman himself, with an income which exceeds £5000. Finally, there will, it is probable, be a dozen men left outside, so ragged as to be not presentable. The occupants of such a hall would, if so distributed, show us on a reduced scale the general distribution of incomes amongst the population of this country to-day.*

* The moral of our conclusions may be emphasised in another way also, namely, by pointing out the fact that if assessment took account, not of the individual income only, but of the effective family or household income likewise, and if the assessment limit were still what it was before the year 1894—*i.e.*, £150—the class which pays income-tax and which is commonly called "the few," would by this time embrace more than one-half of the population.

SUB-SECTION III

## THE PROBLEM OF POVERTY AS RELATED TO THE GENERAL DIFFUSION OF WEALTH

### § 46. Certain common confusions of thought with regard to the distressed classes

This presentation of the actual state of affairs is so opposed to sensational exaggerations which are very widely current, that many persons, in perfect good faith, will probably regard it with incredulity, bringing forward the following objection. Whatever may have been the progress made, they will say, by the great mass of the population, the poverty-stricken and the destitute still constitute a class so large that our computations leave no adequate place for it.

Such an objection is not to be treated lightly. There are two answers to it—one general, one relating to details.

The general answer is this: the persistence of an unimproving class in an otherwise progressive and numerically increasing population is apt to produce what we may call a special kind of optical illusion—an error which is generally not recognised or allowed for. Though the proportion of this class to the rest of the population to-day may be no greater now than it was eighty years ago—though it may, on the contrary, be much smaller—its absolute number may be very considerably greater. But this is not all. Such a

class, if it increases absolutely, no matter how it may be dwindling relatively to the number of the population, will nevertheless be increasing relatively to something else; and that is the geographical area which the population in question occupies. There may be fewer unfortunate persons to every hundred inhabitants, but there will be more to every square mile. If we suppose such persons to indicate their plight by their audible complaints, everybody will be within earshot of a greater volume of complaining; just as if in a public hall a meeting of a hundred persons is interrupted by five boys, and if a subsequent meeting of a thousand persons is interrupted by ten boys, the proportion of interrupters on the latter occasion will be one-fifth of what it was on the former, but the volume of interruption will be twice as great.

A similar argument applies to the case of health. Let us suppose that out of every thousand persons one suffers from cancer. Let us suppose that ten square miles are occupied by a population of 200,000. Then within those square miles 200 persons will be tortured and condemned to death by this at present incurable disease. If in twenty years' time population has so increased that these same square miles are occupied, not by 200,000 people, but by 1,000,000, the same area will contain, not 200 victims, but 1000. Let us, however, suppose at the same time that medical science has meanwhile made such progress that 20 per cent. of such cases, previously incurable,

can be cured, and that this proportion is slowly increasing. There will still be within the area in question 900 cases of cancer, whereas once there were but 200, and each individual case will be no less distressing than ever. Indeed the sufferings of the uncured may be actually made more acute by the knowledge that a cure is no longer beyond the bounds of hope. But could the most devoted of philanthropists who, oppressed by a sense of the horror of such individual suffering, gave up his life or hers to the care of the unhappy victims, deny that medical science was achieving a magnificent victory and that the evil, considered as a whole, was at last growing less and less ?

It would be insanity to answer anyone who maintained this obvious proposition by saying, " Come with me, and I will show you a thousand sufferers whom your medical progress has left in deeper despair than ever." Those who made such an answer would be confusing two distinct things.

From the individual point of view the evil, wherever it existed, would doubtless remain untouched, but from the national point of view it might well be on the way to reducing itself to comparatively small proportions. The same is the case with hopeless poverty and destitution. To those who are concerned with the problem of poverty only, the evil as exemplified in individuals appears so great that it is hardly in the power of language or feeling to exaggerate it. For such persons the quantitative element is nothing ; but

for others who, considering social institutions as a whole, are concerned in inquiring how the population as a whole is affected by them, the quantitative element is everything; and in dealing with the question from the national point of view it is their duty to point out—and it must be pointed out here—that many of those who have made the cause of the poor their own, not unnaturally confusing the extent of an evil with its intensity, exaggerate the former in a manner which is prejudicial to the interests of a distressed minority, because it obscures both the extent and the causes of such well-being as is spreading itself throughout the ranks of an overwhelming majority.

### § 47. The ranks of the very poor made up of two distinct classes

Such is the general answer to the objection that has just been indicated. Let us now turn to particulars.

That portion of the population which is really in economic distress comprises two distinct classes —firstly, those whose unfortunate condition is chronic, and who constitute a class by themselves, and, secondly, those whose misfortunes are accidental and who lapse sporadically into the ranks of this lowest class from classes superior, and often very greatly superior, to it.

### § 48. The class whose earnings are normally low, or precarious

The kind of objection to which reference is here made applies most obviously to the former class, namely, the families—between 1,400,000 and 1,500,000 in number, who appear in Table VIII. as made up of two sections—with average incomes respectively of £94 and £70. If the very poor or the destitute are to find a place in our estimates anywhere, their place, it will be said, must be here. How, then, can it be that in the lowest section of that class the average family income is anything like £70 ?

If we consider more minutely what kind of families these must be to which incomes of £94 and £70 are attributed, we shall find that the larger part of them are the families of rural labourers. From these families are probably drawn more than half of our female domestic servants, whose wages (including board and lodging) are computed to amount to something like £35,000,000. Thus a large proportion of the family incomes of this class will be earned by members of the family who do not stay at home ; and the average income of the group living under the same roof will be thereby reduced. The aggregate income of the class, if its home-living members are alone taken into consideration, will probably be not more than £100,000,000, instead of something over £130,000,000—the amount given in Table VIII.

Let us consider in detail how these assumptions will work out. An agricultural labourer to-day earns on an average 15*s.* a week—in Scotland more, in some parts of England a little less. With extra payments for harvest, overtime and allowances in kind, his personal earnings will amount in the year to about £46 (*see* note to wage-table p. 213, Blue-book, Cd. 4954). He has a lad or youth earning 9*s.* or 10*s.* a week, whose yearly earnings amount to some £24. He has also a daughter out in service, whose effective earnings may be anything between £20 and £45.* The total income of a family thus composed might be anything from £90 up to £115—our own estimated average being £94; but the income of the home-living members would be less than £71. If we suppose such conditions to prevail amongst 1,200,000 families of the class now in question, our tables allow of a residuum of about a quarter of a million families, to which it will be necessary to add about 100,000 more,† for reasons given in the subjoined note. For these 350,000 families, representing a population of about 1,750,000 persons, our estimates allow a total income of

* General servants in a small house: wages, £7–£8; board and lodging, 5*s.* a week. Cook or housemaid in larger house: wages £18–£20; board and lodging, 10*s.* a week.

† It must be remembered that the estimates of the incomes of the poorest classes are based on Board of Trade evidence relating to the earnings of recognised groups of wage-earners. It may, therefore, be taken as certain that there will be a considerable fringe of semi-employed persons, and of voluntary or involuntary idlers, not included in our previous computation. This number is possibly much greater than that suggested above.

about £12,000,000, which yields an average income per family of but just over £30.

A population of 1,750,000 persons dependent on incomes of this kind, for the most part earned precariously or by excessive toil, and often spent unwisely, will account for a large part of the true poverty that exists. But it will not account for the whole of it. It will not account for that part which, from certain points of view, is the most important.

### § 49. The class whose poverty arises from contractions of normal employment

This part, which at the present time requires our especial attention, consists not of the class which is described as chronically "submerged"—of those who, through want of skill, through defect of character or through hereditary circumstances, are capable of earning only scanty wages or else none. It is composed of men, many of them highly skilled, all of them normally industrious and in their several degrees capable—men who, in order to support themselves in substantial comfort, require one thing only, and that is the opportunity of performing the work which they are qualified to perform, which most of them have performed successfully for a considerable portion of their lives, but which, owing to some cause or other, they find to be no longer wanted.

Poverty of this kind is liable to attack men no less easily in the highest of the employed classes than in the lowest. A man whose work is worth

£80 or £100 a year when there is any work for him to do, or one whose work is worth several hundreds when there is any competition for his services, may as readily, owing to the general contraction of any business or industry, find himself penniless and unable to earn anything as the men whose work is never worth more than £30 or £20. In times when the demand for work of superior kinds is approximately equal to the supply, the reduction of superior workers to conditions of want and poverty which place them below the level of the least skilful of their fellows who remain employed, though tragic in the individual cases, may form only a minor feature amongst the affairs of the country as a whole. But since the year 1905—the latest date to which our own inquiries have carried us—this malady of unemployment, which attacks all ranks of workers alike, has assumed, or appears to have assumed, the proportions of an epidemic; and from the incomes of all the employed classes, as estimated in the foregoing tables, it may necessitate deductions, not only appreciable but ominous, the exact extent of which it lies beyond our present province to discuss.

All that need be said in conclusion with regard to the foregoing computations is that they show us, with substantial accuracy, though they are not yet exhaustive, the general distribution of incomes amongst the inhabitants of the United Kingdom, to which the economic system, prevalent in this country since the end of the eighteenth and the beginning of the nineteenth century, have

led us ; and if the process of progressive enrichment, hitherto affecting all classes except the very lowest, is suffering or about to suffer any important and persistent check, the causes must be sought, not in that economic system itself, but in the changing conditions of nations other than our own, and (as many believe) in a neglect on our part to accommodate our fiscal policy to theirs. As the present work, however, is not an apology for Protection any development of this last observation would be an impropriety.

# SECTION IV

## THE ECONOMIC ORIGINS OF THE RESPECTIVE INCOMES OF THE VARIOUS CLASSES OF THE POPULATION

### SUB-SECTION I

### "EARNED" INCOMES

### § 50. What is commonly meant by earned incomes

HAVING examined the manner in which incomes, grouped according to their amount, are distributed, we must now consider our subject under a different, and no less important, aspect, and inquire into the manner in which these various groups of incomes originate.

The problem here indicated finds frequent expression in the questions, "How much of the national income is the product and the reward of labour, and how much of it, as at present distributed, represents mere interest on capital?" or "How much of it is earned, and how much of it is unearned?" The first of these questions is child-like in the crudity of the division which it suggests; the second, though more reasonable, is vague to an extreme degree; but both give a general indication of the nature of the problem

which is before us. With regard to certain incomes there is room for reasonable discussion as to whether they are unearned or earned, and a good deal may depend on the way in which this question is answered. For example, there are two working masons each of whom earns £100 annually for ten years. The one spends all his earnings, but the other saves half, and at the end of the ten years builds a house of his own and lets it for £25. That the former has earned the £1000 which he has spent will not be denied by anybody. Does the other earn the annual rent of £25 which he receives subsequently for the house built out of his own savings? Such is the nature of the question which we shall have to discuss hereafter. But meanwhile, though the nature of certain incomes, in respect of their being earned or unearned, may be open to possible dispute, there is a vast majority with regard to which there is no room for doubt. It consists of incomes resulting from some form of exertion practically concurrent with the receipts. Here we have the primary general idea present in the minds of those who contrast the "earned" with the "unearned"; and we will provisionally bound our inquiries by this idea ourselves. Incomes are earned, we will say, which are contingent on the sustained exertions of their recipients, and would cease if such exertions were discontinued or would diminish in proportion as they were relaxed.

We will accordingly set forth as exactly as our available information permits the number and

the kinds of incomes which can be identified as being, in the above sense, earned.

### § 51. Number of families earning incomes by manual effort, and effort of other kinds

We have, then, let it be said once more, some 8,600,000 families to deal with.

Of these, as will be seen from Table VIII., about 6,200,000 are families who earn their incomes, mostly in the form of wages, by labour. The best definition of labour, as understood in such discussions as the present, is that given by Mill, who describes labour, from the economist's point of view, as being essentially a series of muscular contractions by which material objects are moved from one place to another, or are else hindered from moving as they otherwise naturally would move. The case, then, of labour, so far as it here concerns us, is simple. We have some 6,200,000 family incomes out of 8,600,000, which are from week to week earned by muscular exertion, as most incomes have been earned ever since the world began.

We have, therefore, the incomes of some 2,400,000 families still left to account for. Amongst these families how many identifiable workers are to be found, and what kinds of work do they perform? The evidences which will enable us to give some answer to this question, though not complete, are extensive. They are to be found mainly in the Census Returns, in the Reports of the Commissioners of Inland Revenue, and in

certain portions of the Statistical Abstract. They are, however, only rendered intelligible by very careful analysis, and the absurdly inaccurate classifications employed by the compilers of the Census volumes leave many details doubtful which presumably might have been made clear.* Still, the main groups of workers can be identified with substantial accuracy, and in many cases our information is numerically exact.

### § 52. The workers who are employed by others

Our best course will be to classify these workers according to the most general definitions by which their various avocations can be differentiated.

Our first definition shall be one which has been implied already in our general definition of labour. In the majority of cases, under modern conditions of work, the earnings of labour are distributed in the form of wages. This means that the labourers for the most part have their tasks prescribed to them by others—by the State, by municipalities, or by the heads of private businesses. That is to say, they are "employed." But this definition does not apply to labour only. In order that labour may be rendered effective on any large scale, whether by public bodies or individuals, it

* The "unoccupied class" and the "retired from business" class, as given in the Census volumes, are signal examples of careless and misleading nomenclature. The unoccupied class is made to include indoor paupers, prisoners, and all the occupants of asylums. In 1891 female relatives of the head of a family who performed a servant's duties in the household were classed as "female domestic servants." In the Census of 1901 the same class of persons were returned as "unoccupied." *See* Cd. 4671. Note to page 43.

is absolutely essential that there be a great body of subordinates, to whom the work of control and the allied work of registration are delegated. This class will comprise clerks, supervisors, draughtsmen, assistants, and officials of all kinds; and to these must be added the enormous body of teachers to whom the State, on lines prescribed by itself, entrusts the work of popular education. Just as wage-paid labour represents employed muscular effort, so does this class—to speak broadly—represent employed mental effort. The most convenient name for such persons will be that used by the French—namely, "functionaries."

### § 53. The employing workers

Passing from the employed to the employers, we have obviously two main groups, namely, the employers whose work is the distribution of goods, with whom we may class the keepers of public-houses, refreshment houses and hotels, &c., and those whose work is to produce goods, or to provide the community with the material means of transport.

### § 54. The independent and semi-independent workers

Finally, we have a group which distinctively, though by no means entirely, consists of mental workers who are neither employing nor employed, but perform their work more or less on their own initiative. These form what, comprehensively, we may call the Professional Class. Its three

most prominent sections are the clergy of various denominations, the lawyers, and the doctors. To these must be added a class still larger, and miscellaneous in its composition, consisting of persons connected—to use the language of the Census—with music, art, the drama, amusement, literature, &c. It will probably include all the most distinguished musicians, painters, architects, actors, and managers in the country, and many of the most distinguished writers and men of science, as well as scene-painters, decorative designers, members of orchestras, circus-riders, and clowns. To this same miscellaneous class must be added yet another composed of what in the Census Returns are described as commercial agents. These will differ (*see* Blue-book, Cd. 4896) from "salaried" functionaries in the fact that their work is so far performed independently that they are not in the exclusive service of any one employer or firm.

### § 55. Classes of workers summarised, other than the productive employers

Let us now go over once more the ground which we have just traversed, and assign to each of the above classes or sub-classes its actual or approximate number, so far as this is ascertainable, or within certain limits conjecturable, one class alone being excepted, namely, that of the productive employers, which it will be necessary to consider separately. The numbers given, whether by way of a working hypothesis or otherwise, are based

on the Census Returns, or else on the later and more specific information supplied by the Commissioners of Inland Revenue, to which detailed references will be made presently. The tabular form of presentation will here serve our purpose best.

TABLE XX. APPROXIMATE STATEMENTS OR ESTIMATES OF NUMBERS OF VARIOUS CLASSES OF EARNERS, OTHER THAN MANUAL LABOURERS AND PRODUCTIVE OR MANUFACTURING EMPLOYERS

*Employed Classes (other than manual labourers):*

| *Functionaries* | | Number of earners. |
|---|---|---|
| (i.) Staff of the Imperial Government | 260,000 | 1,010,000 |
| (ii.) ,, business houses | 480,000 | |
| (iii.) School teachers | 270,000 | |
| *Employing classes (Distributive)* | | |
| (iv.) Shopkeepers living over their own shops | 310,000 | 747,000 |
| (v.) Shopkeepers with separate residences | 140,000 | |
| (vi.) Hotel-keepers | 2,000 | |
| (vii.) Public-house keepers | 88,000 | |
| *(viii.) Lodging-house keepers | 207,000 | |
| *Professional* | | |
| (ix.) Clergy | 50,000 | 450,000 |
| (x.) Lawyers | 50,000 | |
| (xi.) Doctors | 30,000 | |
| *(xii.) Persons connected with literature, art, music | | |
| *(xiii.) The drama, amusements, &c. &c. | 160,000 | |
| *(xiv.) Commercial agents, &c. (not servants of any one firm) | 160,000 | |

* These figures are no more than estimates, bounded by the limits of possibility, except in the case of lodging-house keepers, the number of which is taken from the Report of the Commissions of Inland Revenue, and obviously relates to a portion of this group only. The true contents of groups xii, xiii, and xiv can be only conjecturally analysed.

## § 56. Earnings of workers other than productive employers

Let us now make a preliminary computation of the respective annual earnings of the above fourteen groups.

With regard to the *Functionaries*, just over 1,000,000 in number, the Census Returns and the assessments to income-tax enable us to speak with some precision. The number of teachers of all kinds was, according to the Census of 1901, 243,000. It has been taken in the preceding Table to have increased in proportion to the population. The payments made to this body, direct and indirect, amount to about £100 per head. Of the 740,000 clerks and other officials, the income-tax returns (Schedules D and E) show that 500,000 earn more than £160 a year, and about 15,000 more than £700.

Of the *Distributive Employers*, we may take it that 280,000 of the shopkeepers * living over their own shops make incomes not exceeding £160, it being the opinion of Sir H. Primrose that a section of the class—here assumed to number 30,000—are in a larger way of business and earn more. The class of larger shopkeepers, earning more than £160, will, on this assumption, number

* Some idea as to the composition of the shopkeeping class may be gained from the following figures (Cd. 4868, Tables 39 to 52):

| | |
|---|---|
| Persons licensed to sell tobacco | 390,000 |
| Chemists (licensed to sell patent medicines) | 42,000 |
| Silversmiths | 15,000 |
| Hawkers | 13,000 |
| Refreshment shops | 12,000 |
| Pawnbrokers | 5,000 |

some 170,000, of whom perhaps 10,000 may have businesses of great, or at all events, considerable magnitude. Of the 88,000 public-houses and hotels licensed to sell spirits, 42,000 (or nearly half) are obviously small concerns, the rental value of the premises being under £40 a year. In the case of only a quarter of the entire number does the rental value exceed £100 (Cd. 4868, Table 42). We may, therefore, assume that there are about 42,000 "publicans" earning less than £160 a year and 46,000 earning more, whilst there are about 2000 hotels whose earnings are very large, or considerable. The 27,000 lodging-house keepers, the rental value of whose premises exceeds £20 (the average being £60), will earn, we may take it, an average income of £180.

With regard to the *Professional Classes*, there are two groups, namely, those described as connected with music, the drama, the Press, &c., and those described as "agents" * (each numbering about 160,000 persons), out of each of which it can hardly be supposed that more than 60,000 of each earn incomes in excess of £160. This minority of 120,000 persons we may group, in respect of their earnings, with the clergy, the lawyers, and the doctors. The income of this body (a large portion of whose members are certainly possessed of some "private means"

* Amongst the higher class of agents, commercial travellers, &c., here assumed to number 60,000, it is possible to identify between one-fifth and a quarter, namely, auctioneers and house-agents. The number of licences granted to such persons in 1905 was nearly 14,000 (Cd. 4868, Tables 46 and 47.)

will be appreciably in excess of its earnings—a fact to which we shall advert presently. We are, however, for the moment concerned with the earnings only ; and we may, for reasons which will be given in detail presently, assume that in this great class of 250,000 persons the average earnings per head will be something like £250.

In accordance with these observations, we will now attempt a general estimate, given in tabular form, of the actual earnings of the groups dealt with in Table XX.

TABLE XXI. STATEMENTS OR APPROXIMATE ESTIMATES OF THE VARIOUS AMOUNTS EARNED BY EACH OF THE VARIOUS GROUPS (OTHER THAN MANUAL LABOURERS AND PRODUCTIVE EMPLOYERS) AS SPECIFIED IN TABLE XX. INCOME FROM OWNERSHIP EXCLUDED

| | | £ | £ |
|---|---|---|---|
| Clerks and other functionaries (Government and business) | 240,000 | 140 | 33,000,000 |
| School-teachers | 270,000 | 100 | 27,000,000 |
| Smaller shopkeepers | 280,000 | 150 | 42,000,000 |
| ,, innkeepers | 42,000 | 150 | 6,000,000 |
| Lower section of literary, musical, and artistic class | 100,000 | 150 | 15,000,000 |
| Lower section of commercial agents and travellers | 100,000 | 150 | 15,000,000 |
| Lodging-house keepers | 27,000 | 150 | 4,000,000 |
| Salaried functionaries (£160–£700, Schedules D and E) | 480,000 | 206 | 100,000,000 |
| Professional men and commercial agents (as analysed above) | 250,000 | 256 | 60,000,000 |
| Larger innkeepers (hotels excluded) | 46,000 | 300 | 13,000,000 |
| Larger shopkeepers (largest excluded) | 160,000 | 350 | 56,000,000 |
| Salaried functionaries (over £700) | 15,000 | 1500 | 20,000,000 |
| Totals | 2,050,000 | | 391,000,000 |

## § 56. The productive employers

Let us now turn our attention to the productive employers. These may be broadly divided into

farmers or agricultural producers, on the one hand, and manufacturers on the other.

The number of so-called "farms" in Great Britain was given in a Parliamentary Report (1896) as upwards of 500,000; but as 350,000 of these were under fifty acres in extent (including 120,000 which were under five), and as the average for the whole was not more than fifteen acres, the occupants must be classed as agricultural labourers rather than as employing farmers. The remaining farms, occupying about five-sixths of the cultivable land and numbering a little under 170,000, were divided into two classes—about 70,000 with an average extent of 70 acres and 100,000 with an average extent of 220 acres. The corresponding class in Ireland numbers about 30,000. The total number of farmers, working their holdings as employers of paid labour, and not as labourers tilling little plots of land on their own account, is about 200,000.

As to the earnings of this class, we have official evidence which is sufficient. Certain figures with regard to them are given in the income-tax returns (Schedule B). These, however, as they stand now are most misleading. The farmers' profits have, for purposes of assessment, been theoretically reduced since the year 1896. Up to that date they were estimated as being about equal to the rent (*see* Cd. 4954, p. 137). Since that date it has been assumed that they amount only to one-third. This is obviously untrue to fact; for if it were true, a farmer renting 100 acres of land at

about £1 an acre would not make an income of more than £33, which is absurd. This fact receives comment and illustration in Blue-book Cd. 4868, p. 149, where it is made evident that the true profits of the farmer are really about equal to his rent, as had always been assumed previously. The gross profits, therefore, arising from the occupation of land were, in 1905, about £52,000,000. The average rent of cultivable land was in that year a little over £1 per acre, the average for farms between 50 and 100 acres in extent being nearly 50 per cent. higher than that for farms exceeding 100 acres. We may, therefore, take the average annual profits of the 130,000 large farmers at £30,000,000; of the 70,000 smaller farmers, with farms averaging seventy acres, at £9,000,000; and that of the 350,000 persons with an average of fifteen acres, at £10,000,000 or £11,000,000.* The first and the second of these classes alone concern us here. Our computation will be then (and it cannot be far wrong), that there are 70,000 farmers earning an average of about £120 a year, and 130,000 earning an average of about £190.

### § 57. The earnings of the manufacturing employers

We now come to a question which is greater alike in point of importance and difficulty, namely,

* The case of the smallest class of occupiers is not strictly comparable to that of the larger. To the occupiers of small holdings averaging fifteen acres must be added nearly 1,000,000 owners of small plots, whose rental values are included in the "rent of lands," Schedule A.

the number and earnings of the employers engaged in manufacture—the men on whose genius and energy the growth and sustentation of that output of commodities depends, which has given this country its pre-eminent place in the world.

Our principal sources of information with regard to them are to be found in the income-tax returns under Schedule D, as analysed in the Reports of the Commissioners of Inland Revenue.

There are three great classes of incomes comprised under Schedule D, to one or other of which all the incomes here in question (except those belonging to the small "financial" group) must belong. One is distinguished as incomes derived from "businesses, concerns, professions, employments, &c." (1) by "persons"; (2) by private "firms," which are taken as representing two and a half persons each; (3) by "public companies," each of which companies must represent not less than seven shareholders, but with regard to the personnel of which the statistics of the Inland Revenue Department fail, except indirectly, to give us any information.

We will take the "persons and firms" first, and deal with the companies by themselves.

### § 58. The assessments under Schedule D of "persons" and private firms

The number of "persons" assessed under Schedule D was, in 1905, 379,436. Let us call it 380,000. The number of "firms" assessed was 59,164; let us call it 60,000. Since every two

private firms (except in the case of a few very large businesses) represent on an average five partners, the 60,000 firms will represent some 150,000 individuals. Thus, when these are added to the "persons," the total number of individuals whose conditions we must here examine will be 530,000.

This number, however, will include, not only the manufacturing employers whom we here have in view, but that comprehensive and miscellaneous body the professional classes, together with the richer section of the shopkeepers and the publicans, &c., also. Hence, before we can arrive at any estimate of the number of those employers whose business is production, the other classes whose work is professional or distributive must be deducted.

Now as to certain of these other classes—the professional men and the commercial agents—the deduction presents no difficulty, for each separate business—*e.g.* that of a clergyman, a barrister or a doctor—stands for one man, or at the utmost two or three in association; but of the shops and the inns, of public-houses and the hotels, there is an appreciable, though not a large, majority, of which one may be owned by many partners or many owned by a single firm or company. On the whole, however, we may assume that these contrasted cases will balance each other, and that the number of shops, public-houses, &c., will coincide substantially with the number of employing owners. On this assumption

the distributive and professional classes, earning more than £160 a year, will, as shown in Table XXI., number 456,000 out of 530,000, thus leaving some 70,000 or 80,000 persons, whom we may reasonably assume to represent the manufacturing employers of the country, other than those doing business under the form of public companies.

Let us now examine the official figures again, with a view to the different amounts of income earned by the various groups into which the entire body resolves itself, irrespective of the occupations to which the amounts are due.

Of the 530,000 incomes here in question, about 455,000 were under £500 a year, and about 490,000 under £700.* Now, as has just been said, according to our previous estimates the number of workers not productive in a commercial or material sense is something between 450,000 and 460,000. If, then, we assume—and the supposition will be accepted as reasonable—that these persons in the main earn less than the manufacturing employers, we may take it that the 450,000 incomes, more or less, which are under £500 a year correspond, roughly, with the earnings of the distributive and professional workers, and that the 70,000 or 80,000 incomes remaining represent the manufac-

* If two and a half persons are really to be taken as the average for the smallest firms, as well as for the largest, the partners in these will earn less than £40 per head. It is to be noted, however, that this class is not exempt, for its members all possess incomes from other sources, bringing the total income to something over £160. For the largest firms, according to the general opinion, the number of partners

turing employers, large and small, of the country, other than those doing business as companies.

Let us now consider the matter from a different point of view. The aggregate of all the incomes under £500 is about £90,000,000 ; that of incomes between £500 and £700, about £20,000,000 ; and that of all incomes over £700, about £80,000,000. If, therefore, we attribute, as it would seem we are bound to do, the aggregate of all the incomes above £500 to the manufacturing employers and the largest distributive businesses—namely, £100,000,000—we are left with no more than £90,000,000 to be divided amongst a residue of about 450,000 earners.

greatly exceeds the average. In the subjoined table it is taken at five.

| | Private firms (1905). Two and a half partners to a firm, excepting the last group. Number of partners. | Earnings per head. | | Persons. The first group is not exempt, the total income from all sources exceeding £160. Number of persons. | Earnings per head. |
|---|---|---|---|---|---|
| | | £ | | | £ |
| 121,000 under £700 a year. | 20,000 | 39 | 361,000 under £700. | 128,000 | 78 |
| | 12,000 | 89 | | 106,000 | 190 |
| | 15,000 | 120 | | 72,000 | 260 |
| | 20,000 | 140 | | 28,000 | 370 |
| | 12,000 | 190 | | 15,000 | 460 |
| | 7,000 | 270 | | 8,000 | 550 |
| | 5,000 | 300 | | 4,600 | 650 |
| | 5,000 | 320 | 17,518 over £700. | 3,600 | 770 |
| | 3,000 | 370 | | 2,000 | 850 |
| | 4,000 | 400 | | 2,400 | 950 |
| | 18,000 | 600 | | 6,000 | 1,450 |
| 19,550 over £700 a year. | 7,000 | 1,000 | | 1,500 | 2,400 |
| | 3,500 | 1,400 | | 560 | 3,500 |
| | 2,000 | 2,000 | | 300 | 4,500 |
| | 4,300 | 3,000 | | 500 | 6,800 |
| | 2,300 | 7,000 | | 237 | 18,000 |
| | 450 | Over £20,000 | | 21 | Over £50,000 |

Owing to the use of round numbers in the case of the larger groups, the results as above given are short of the true number by about 18,000. Incomes under £700 will be 490,000 instead of 482,000. The incomes under £500 will be about 455,000.

Now it would seem at first sight that if these figures are correct the average income of the persons here in question cannot be more than £200—a sum which, since these persons will include the bulk of the medium shopkeepers and also of the professional classes, will appear unbelievably small. When the figures, however, are examined with more attention, the conclusion thus suggested will undergo an important modification.

Of the 450,000 persons here in question, as the reader will see from the note on page 118, nearly 150,000—their earnings amounting collectively to £11,000,000—earn an average per head of but little over £70, but are, nevertheless, assessed because they have independent means which raises their entire incomes to a sum which exceeds £160. There is, further, a collective income amounting to about £9,000,000, exempted from taxation because it pertains to about 75,000 persons whose entire individual incomes fall short of £160, though the larger part of them must approach it, owing to the possession on the part of the recipients of a certain amount of private means.

Thus a collective income of about £20,000,000 will represent the business or professional earnings of nearly 225,000 earners out of the 450,000.

A sum, accordingly, of £70,000,000 will be left us for distribution amongst the earners remaining, whose number will be about 225,000 likewise. We shall thus get, for these last, an average per head of earned income which, instead of being £200, will be £300.

If we analyse the distribution of these 225,000 incomes further, we shall find that for about 75,000 the average is greater than this, being about £420, and that for the remaining 150,000 it is lower, being about £250.

### § 59. The larger incomes earned by "persons" and private firms

Finally, as to the incomes exceeding £500, there are about 30,000 between £500 and £700, with a collective income of about £20,000,000 and an average income of £600; and about 46,000 incomes exceeding £700, which are distributed in the following way: 17,000 incomes between £700 and £1000, 25,000 between £1000 and £5000, and 4100 exceeding £5000. The aggregate amount of these last is about £82,000,000.

These results are summarised in the Table on the next page.

The figures will be reproduced presently in connection with the cognate figures relating to the public companies.

### § 60. The public companies and individual earnings

The case of the public companies possesses special importance, firstly, because the volume of business done really or nominally by associations thus legally constituted is about equal to that done by the farmers, the private traders and manufacturers and professional men together; and, secondly, because on the nature of the business done by companies, the question depends largely

of what incomes are to be classed as earned and what are to be classed as unearned. It is a favourite argument with Socialists and Socialistic Radicals, that as long as a business is con-

TABLE XXII. ANALYSIS OF 530,000 INCOMES—PERSONS AND PRIVATE FIRMS (2½ PERSONS TO FIRM) ASSESSED UNDER SCHEDULE D, 1905.

| Number of earners. | Individual incomes. | Aggregate incomes. | |
|---|---|---|---|
| 150,000 | £70 | £11,000,000 | *Note.*—These are the gross, not the net, figures; but the deductions made by the Inland Revenue Department in respect of exemption and abatements do not concern us here. Something must be allowed for wear and tear of machinery and for adjustments; but these would affect the larger incomes only, and would not substantially affect the significance of the figures as here given. |
| 75,000 | £120 | £9,000,000 | |
| 150,000 | £250 | £37,000,000 | |
| 75,000 | £420 | £31,000,000 | |
| 30,000 | £600 | £20,000,000 | |
| 17,000 | £700–£1,000 | £82,000,000 | |
| 25,000 | £1,000–£5,000 | | |
| 4,000 | Over £5,000 | | |
| | | £190,000,000 | |

ducted by individual employers, or by partners in private firms, these principals earn their incomes; but the moment the legal form of the business changes in such a way that the public, with a liability limited to their holdings, can invest their money in it by purchasing any shares that are in the market, the entire situation

changes. The capital, it is said, passes into the hands of people who no longer manage it, or make it fructify, by any exercise of their personal abilities. Management and direction are abandoned to salaried servants, whilst the shareholders, who may possibly be very ordinary or incompetent men, do nothing but pocket their dividends and destroy their constitutions by eating turtle soup. It is, therefore, necessary to go into the matter carefully.

The number of public companies yielding assessable incomes, or incomes sufficiently appreciable to provoke the attention of the Inland Revenue officials, was in the year 1905 a little over 32,000. The gross profits of these companies amounted to £247,000,000.

### § 61. The smaller public companies

Now of these 32,000 companies, as the Official Returns show, no fewer than 26,000 were little concerns—many of them, indeed, diminutive—with total profits ranging from £63 to £4,300 a year. Putting the number of shareholders in such companies at the legal minimum of seven, we find that the average profits of each individual shareholder ranged from £9 to £613.* The detailed facts lying below this general average are

* In many of the small companies, it must be remembered, all the partners but one are mere dummies with nominal holdings, and these companies are practically one-man concerns. In the subjoined table, companies with profits exceeding £360 are assumed to be two-men concerns; and those with profits exceeding £700 are assumed to resemble private firms in having on an average two and a half principals, and a minimum of four and a half non-working shareholders.

TABLE XXIIA

| Number of Companies with average profits each group. | | Average profits. | Number of working partners. | Minimum of shareholders not working. | Total number of working partners. | Income per working partner. | Maximum dividend per non-working shareholders. | |
|---|---|---|---|---|---|---|---|---|
| 13,000 | 8,600 . | £63 | 1 | Dummies | 8,600 | £63 | Nil | Working partners with under £160. Number, 17,800. |
| | 1,200 . | £190 | 2 | Dummies | 2,400 | £85 | Nil | |
| | 2,000 . | £260 | 2 | 5 | 4,000 | £130 | Nil | |
| | 1,400 . | £360 | 2 | 5 | 2,800 | £145 | £12 | |
| 4,200 | 1,500 . | £490 | 2 | 5 | 3,000 | £196 | £18 | Working partners with £160–£300. Number, 8350. |
| | 1,000 . | £590 | 2 | 5 | 2,000 | £240 | £22 | |
| | 800 . | £650 | 2 | 5 | 1,600 | £260 | £30 | |
| | 700 . | £790 | 2½ | 4½ | 1,750 | £260 | £30 | |
| 5,100 | 600 . | £870 | 2½ | 4½ | 1,500 | £270 | £33 | Working partners with between £300 and £700. Number, 12,500. |
| | 800 . | £990 | 2½ | 4½ | 2,000 | £320 | £40 | |
| | 3,700 . | £1,500 | 2½ | 4½ | 9,000 | £480 | £50 | |
| 4,200 | 2,000 . | £2,500 | 2½ | 4½ | 5,000 | £800 | £110 | Working partners with between £700 and £2000. Number, 10,500. |
| | 1,200 . | £3,500 | 2½ | 4½ | 3,000 | £1,100 | £140 | |
| | 1,000 . | £4,300 | 2½ | 4½ | 2,500 | £1,300 | £190 | |
| 26,500 . | | Total of working partners . | | | 49,150 | | | |

tabulated and briefly explained in the subjoined note, and may be here summarised thus: Of these 26,500 smaller companies, about 13,000 obviously represent severally the business activity of one or at most of two principals, whose individual profits range from £63 to £160 a year, whilst the maximum dividends accruing to any non-working shareholders could not in any case exceed £12.

There are 4200 companies, in each of which there are probably two principals, whose individual profits range from £160 to £300.

There are 5100 in which, as in the case of private firms, we may take it that the average number of principals or working partners is two and a half, holding, probably, four-fifths of the shares and making individual profits between £300 and £700. The maximum dividend possible for any non-working shareholder would vary from £33 to £50.

There are, further, 4200 companies of which, on the same assumption, the principals each make profits between £700 and £2000, whilst the maximum dividend for any non-working shareholder would range from £100 to £200.

We thus get, under the impersonal guise of small public companies, some 50,000 individual working employers, of whom about 20,000 make less than £160 per head, about 20,000 make between £160 and £700 per head, and about 8000 make between £700 and £2000 per head. Corresponding to these, we have about 130,000 non-working shareholders, whose aggregate dividends

are about £4,000,000 a year. Our immediate business lies with the 50,000 active earners, whose earnings, amounting to about £28,000,000, must be added to those of the 530,000 business and professional men, our conclusions with regard to whom have been summarised in Table XXII.

The question now is, can we identify any other body of business earners, who derive their incomes from the active management of their own capital and are not the mere managing employés, whose interest in the capital which they administer ends with their annual salaries? There are two classes in which such may conceivably be found. One of these consists of the bankers and financiers, many of whom even Mr. Money admits to be active earners, and whose gross profits are known to be about £26,000,000, but with regard to whom no further official information is available. The other consists of the personnel of the great companies, whose aggregate profits are about £220,000,000.

If, therefore, we are to get any kind of answer to our present question, it is to the great companies that we must turn, and analyse as best we can the available information with regard to them. As the reader will see, the summarised official analysis of incomes (Schedule D) on which our examination has thus far been based, and which Mr. Williams reproduces in "The King's Revenue," pp. 178–9, divides all the incomes dealt with into those received by (1) persons and private firms, (2) by local authorities, (3) by bankers,

agents, &c., (4) by employés, and (5) by *public companies;* and all incomes not included under the first four headings are grouped together *under the fifth.* A further official table enables us to pick out some of the principal elements included in this composite group.

As will have been seen from Table XXIIIA, these companies, numbering about 5500, comprise some 2300 with average incomes of £7000, some 2600 with average incomes of £22,000, and 805 with average incomes of £180,000. Of the gross income of £222,000,000, the following items can be identified :

TABLE XXIIB. (YEAR 1905)

| | | |
|---|---|---|
| Railways in the United Kingdom . | £41,000,000 | |
| Mines ,, ,, . | 20,000,000 | Decrease since 1905 |
| Gas and waterworks . . . | 11,000,000 | |
| Production of iron . . . | 2,000,000 | Increase since 1905 |
| Loans secured on rates. . . | 6,000,000 | |
| Foreign railways . . . | 16,000,000 | |
| Indian and colonial securities . | 14,000,000 | |
| Coupons from abroad . . . | 12,000,000 | |
| Total . . . . | £122,000,000 | |

Now, accepting for the moment the principle, which is widely current, that no incomes are earned through the employment of capital which do not demand from their recipients some constantly corresponding exertion, we may admit that out of this £220,000,000, which are the profits of the greater companies, the following parts are " unearned," in the sense that they are received as the reward, not of concurrent exertion, but of the mere investment of capital controlled

by salaried officials: (1) Railways, home and foreign, £57,000,000; (2) loans secured on rates, £6,000,000; (3) that portion of the profits from mines which consists of royalties and amounts, according to Mulhall's latest computation, to about £5,000,000.* Total, £68,000,000. As to the remaining £180,000,000, earned by companies doing other businesses at home and abroad, we have seen that some £28,000,000 is earned by individual employers working on a small scale; but, with regard to the larger businesses, nothing is given us in the official statistics to show how far the capital used, and the profits resulting from its use, belong and go to mere passive investors or the active captains of industry.

### § 62. The greater companies and the earnings of individuals connected with them

One thing, however, we may take as certain, namely that, contrary to the opinion advanced by such persons as Mr. Money, a large proportion of the income here in question corresponds, not to the mere interest paid on capital held by passive investors, but to capital owned by the active heads of businesses (often in the form of founders' shares or other of a similarly special kind) who, through their talent and energy, dictate the uses of what they own. Let any one run over in his mind any of the business companies of to-day which are most familiar to the public, and facts will show at once that this is

* *See* "Dictionary of Statistics," 1903, p. 774.

so. The names of Armstrong and Whitworth, Harland and Wolff, Vickers, Lever, Masham, Arrol, Lipton, Cadbury, tell their own tale to everybody. One of the greatest newspaper and publishing companies now existing in this country is the recent creation of the talents of one man, Lord Northcliffe; and the rewards, whatever they may be, which he now receives personally are none the less earned by his own activities because the legal form under which his business is conducted has been changed, and the public may be able to purchase certain shares in its profits. Indeed even when any business has been so thoroughly organised and established that the conduct of it can be successfully delegated to a mere hired official, it is certain that the work of creating and of thus establishing it was accomplished, not by officials or mere subscribers of capital, but by master-workers and master-earners, without the exertion of whose talents at some comparatively recent date there would have been no company and no profits at all.

Although, however, we have here no direct statistics to guide us, and though the only conclusions which we can reach are of a general nature, we are not, for that reason, abandoned to mere guess-work.

### § 63. Elements of personal earnings in the profits of the greater companies

In the year 1905 (*see* Cd. 4805, p. 321) the paid-up capital of the railway companies was just

over one thousand millions, and that of the other public companies was just under two thousand millions. The dividend yielded by this capital was £247,000,000, or something over 8 per cent.

Now a man who uses capital with exceptional talent and energy—who does something with it that can be done by nobody else—may make it yield a percentage of profit to which no definite limit can be assigned; but the men who are mere investors are unable, taken as a whole, to get more than 4 per cent.—in the case of our own railways, not more than 3½. Thus the mere investment return on the paid-up capital of the public companies, at the rate of 4 per cent., cannot be more than £123,000,000 out of a total of £247,000,000. We are thus left with £120,000,000, *i.e.* an additional profit at the rate of 4 per cent., which must be attributed to the talents and energies of the individuals by whom the capital is actively employed—which is not contingent on their holdings as mere investors, and which is accordingly in the strictest sense of the word "earned."

A part of this, namely, £28,000,000, will be accounted for by the earnings of the smaller men, making individually less than £2000 a year and numbering about 50,000.

We are thus left with about 6000 larger companies, making a total net profit of about £190,000,000. The profits of about half of these companies range from £4000 a year to £10,000. The profits of rather more than 2000 range from

£10,000 to £50,000; and those of 805 exceed £50,000.

According to our present method of reasoning, out of the total profits of those larger companies

TABLE XXIIc. THE PUBLIC COMPANIES, INTEREST, AND INDIVIDUAL EARNINGS

| Number of companies. | Estimated number of active earners represented by them. | Income per earner. | Earnings as distinct from interest. |
|---|---|---|---|
| 13,000 | 20,000 | £63–£160 | Total earnings, £24,000,000 —£28,000,000 of "profits." (About £4,000,000 will be interest due to small shareholders.) |
| 4,200 | 8,400 | £160–£300 | |
| 5,100 | 12,000 | £300–£700 | |
| 4,200 | 10,600 | £700–£2000 | |
| 5,000 | 22,000 | Over £2000 | Total earnings, £92,000,000 |
| Total earners | 73,000 | | £116,000,000 |

*Note.*—1000 companies, including the railways and probably the great distributive businesses, are not included in this table. Profits to the extent of £100,000,000 are also not included, the assumption being that this sum is interest and not what is popularly called "earnings."

about £92,000,000 will be earnings and about £98,000,000 will be interest. Of this latter sum, about £68,000,000 will be accounted for by railways, loans, and royalties, as just now specified, £30,000,000 being left as interest from miscellaneous sources.

The remaining £92,000,000, here estimated as

earned, will be probably assignable to some 5000 * companies out of the 6000 ; and if to each of these we attribute from three to five managing partners, we shall have, as a rough result, about 24,000 individuals, earning on an average something over £4000 per head.

The foregoing figures as to the companies may be briefly summarised thus :

### § 64. The preceding tables relating to earnings of all classes combined

Let us now put Table XXIIc and the three preceding Tables (XXI., XXII., XXIIA.) together so as to obtain an analytical presentation of the earned income of this country as a whole, other than that earned by manual labour, which last, as shown in Table VIII., amounts to about £850,000,000.

Many of the above details are, of course, merely approximations ; but their substantial accuracy, when they are taken one with another, is strikingly confirmed by results given in previous tables,

* Of the companies commonly said to yield wholly "unearned" profits, railways are the chief example. The number of railway companies assessed whose lines are in this country is 169. The number of companies assessed as owners, or part owners, of railways abroad is 103.

The number of waterworks owned by companies is 324 ; average profit per company, £3700. Canals are owned by eighty-seven companies ; average profit per company, £20,000. The ironworks are in the hands of seventy companies, six private firms and four individuals. The profits per company are about £60,000 ; per firm, £7000, and per individual, £7000. Mines are owned by 775 companies ; average profit per company, £15,000. The number of mines worked by individuals is 402 ; average profit, £1700. These figures are for 1907. *See* Cd. 4868, pp. 156–159.

TABLE XXIII. ANALYSIS OF EARNED INCOMES, OTHER THAN THE WAGES OF MANUAL LABOUR

| General description of earners. | Number of earners. | Average earnings per head. | Aggregate earning of group. | Summaries |
|---|---|---|---|---|
| | | £ | £ | |
| i. School teachers | 270,000 | 100 | 27,000,000 | Incomes i to vii, also xiv, £141,000,000. |
| ii. Clerks and other functionaries (i.) | 240,000 | 140 | 33,000,000 | |
| iii. Small shopkeepers<br>iv. Lodging-house keepers<br>v. Innkeepers | 350,000 | 150 | 52,000,000 | *Incomes under* £160. |
| vi. Lower professional and<br>vii. Commercial classes | 200,000 | 150 | 30,000,000 | |
| viii. Clerks and functionaries (ii.) | 480,000 | 206 | 100,000,000 | Incomes viii to xv, excluding xiii and xiv, £270,000,000. |
| ix. Professional class, higher | 250,000 | 250 | 60,000,000 | |
| x. Miscellaneous workers (small companies, under £700) | 40,000 | 280 | 11,000,000 | |
| xi. Larger innkeepers (except largest) | 46,000 | 300 | 13,000,000 | *Incomes between* £160 *and* £700. |
| xii. Larger shopkeepers (except largest) | 160,000 | 350 | 56,000,000 | |
| xiii. Clerks and functionaries (iii.) | 13,000 | 1400 | 16,000,000 | Incomes xiv, xvi and xvii. Higher salaried class and manufacturing employers, £198,000,000. |
| xiv. Farmers, small | 70,000 | 120 | 19,000,000 | |
| xv. ,, large | 130,000 | 230 | 30,000,000 | |
| Manufacturing employers, making individually over £700 a year: | | | | |
| xvi. Persons and private partners | 46,000 | 1800 | 82,000,000 | Add for "finance," £26,000,000. Total "earnings" as thus far estimated, £224,000,000. |
| xvii. Working partners in companies | 44,000 | 2500 | 100,000,000 | |
| xviii. Financiers | No details available. | | 26,000,000 | |

which results were reached by different methods of investigation. The following table shows this briefly and clearly :

TABLE XXIV. RESULTS SHOWN IN TABLE XXIII., COMPARED WITH PREVIOUS ESTIMATES

| | |
|---|---|
| *Earned* incomes of lower middle class, as based on Sir R. Giffen's figures (*see* Table VIII), £143,000,000.* | *Earned* incomes of lower middle class as worked out in Table XXIII by independent methods £141,000,000. |
| *Total* of incomes, earned and unearned, between £160 and £700, as given in Table XVII., £350,000,000. | *Earned* incomes between £160 and £700, worked out in Table XXIII., £270,000,000. |
| *Total* of incomes, earned and unearned, above £700, as given in Table XVII., £400,000,000. | *Earned* incomes above £700. as worked out in Table XXIII., £224,000,000. |
| Previous estimate of incomes, *earned and unearned together*, £893,000,000. | *Earned* incomes as shown in Table XXIII., £635,000,000. |

The difference between the two totals—about £360,000,000—remains to be accounted for by an examination of the incomes commonly classified as "unearned."

If we add to the earnings—£635,000,000, as here computed—of workers other than manual, the wages of manual labour, namely, £842,000,000, we get a total earned income of £1,477,000,000.

And now for the moment leaving this estimate as it stands, let us turn to the income which is commonly called "unearned," and see how far the above rough and provisional estimate approximates to the results reached by an examination of details.

* If no regard had been had to the assessment limit, the number of this class would be much larger. The incomes of a portion of them in virtue of their increment, have passed over into the class of assessed incomes.

## SUB-SECTION II

## THE SO-CALLED "UNEARNED" PORTION OF THE NATIONAL INCOME

### § 65. Methods by which the "unearned" incomes are computed

There are two methods by which the amount of such income may be computed. One is based on the amount of heritable property which changes hands year by year at death; the other on the amount of those classes of income which, as given in the Income-tax Returns, appear on the face of it to be due to mere ownership and not to effort.

In the year 1905, the net value of transmissible property which changed hands at death was almost exactly £270,000,000.* The amount of such property thus passing in any one year is estimated as constituting one-thirtieth part of the whole property of a similar kind existing; and the income is commonly estimated at an average of 4 per cent. on the whole.† In order, therefore, by this method of computation, to get at the income which, in any given year, the whole of such property yields, we must multiply the amount for that year by thirty and then divide by twenty-five. Treating the £270,000,000 in question thus, we get an annual "unearned" income of about £320,000,000.

If, on the other hand, we approach the problem

* *See* Cd. 4868, p. 57.

† *See* evidence of Sir H. Primrose, Blue-book 365.

by taking the Income-tax Returns, we are at first sight confronted by a result which is very strikingly different. The only classes of income shown in these returns as resulting from mere ownership or investment are comprised in Schedule A (income from lands and houses), Schedule C (income from Government stock), and in Schedule D (profits of public companies). Now in 1905 the net income from these three sources was (1) £186,000,000 for lands and houses, (2) £44,000,000, for Government stock, and about (3) £220,000,000 for public companies, making a total of £450,000,000.

This not only differs by about 40 per cent. from the former result; it disagrees also to about the same extent with the computations as to "earned" incomes above £160, as given in Table XXIV., if these are taken in conjunction with the net total of all incomes assessed, namely, £750,000,000. As given in that table, the assessed incomes "earned" will be found to amount to about £430,000,000. If an "unearned" income of £450,000,000 be added to this, we get a total assessed income of £880,000,000 (which is £130,000,000 too much); if we add an "unearned" income of £320,000,000, we get a total assessed income of £740,000,000, which is practically the amount required. Neither of these results, however, is as satisfactory or as unsatisfactory as it seems. In either case we should be assuming that the whole of the "unearned" income was absorbed by persons with more than £160 a year. This, however, we know to be not

the case. The Income-tax Returns show about £50,000,000, derived from land or otherwise, which is ear-marked as going to persons with incomes of less than £160. So far, therefore, as the assessed income is concerned, some £50,000,000 must be deducted from both the above amounts, so that £400,000,000 will be left in the one case and £270,000,000 in the other as the "unearned" element in the incomes exceeding £160. If we add the former to an "earned" £494,000,000, we get a total of £894,000,000; if we add the latter, we get a total of £719,000,000. The given total of assessed incomes being fairly £750,000,000, the "unearned" element, if estimated in one way, gives us nearly £150,000,000 more than is wanted, and, if estimated in the other way, some £30,000,000 less.

### § 66. Over-estimates of "unearned" incomes explained

How does such a difference between the two results arise? Let us confine ourselves to a consideration of how, on general grounds, they may be reconciled.

If we re-examine the data on which the higher estimate of the "unearned" income is founded —namely that which puts such income, whether assessed or not, at £450,000,000, we find that the largest item taken account of is the profits of the public companies. In reaching this higher estimate the whole of these profits—the net amount being about £220,000,000—is taken, without a

moment's examination, as being "unearned." Now a moment's examination will, as has been shown already, convince any reflecting person that this assumption is absurd. Detailed reasons were given for the conclusion that £24,000,000 at least was the "earned" income of a number of small employers conducting their own businesses, whilst on other grounds it was argued that of the net "profits" of the companies as a whole, about £116,000,000 must be earned, and not more than £104,000,000 "unearned." It remains for us to us to add to these two amounts £186,000,000 as rent of lands and houses, and £44,000,000 as dividends on Government stocks, the total working out in round numbers as follows:

TOTAL OF INCOME COMMONLY CALLED "UNEARNED"
(ROUND NUMBERS)

| | |
|---|---|
| Interest on investments in public companies at 4 per cent., Schedule D | £100,000,000 |
| Dividends on Government stocks, Schedule C | 44,000,000 |
| Net rent of lands and houses, Schedule A | 186,000,000 |
| | £330,000,000 |

If from this total we deduct £50,000,000 as the traceable "unearned" income of those who are exempt from income-tax, we are left with a sum of £270,000,000 as the assessed income which is "unearned" and which must, therefore, be added to assessed income (given in Table XXIV as £494,000,000) which is earned. We thus get a total assessed income—earned and "unearned"—of £764,000,000, which agrees sufficiently

with the total of £750,000,000, arrived at in other ways.

### § 67. The three main questions with regard to "unearned" incomes

If we take, then, the total "unearned" income of the country as being about £330,000,000 (of which £50,000,000 goes to persons with less than £160 a year), there are three main questions which we shall have to ask concerning it.

(1) What proportion does this "unearned" income bear to the entire income of which it forms a part?

(2) How is it distributed?

(3) Regard being had to the manner in which its various parts originate, in what sense can the whole—or, if not the whole, such and such parts of it—be properly described as "unearned"?

Questions 2 and 3 must be reserved for separate discussion. Let us proceed to question 1. Here we shall be confronted by facts which statisticians of all schools appear thus far to have neglected.

### § 68. Income of foreign origin

The entire income which is divided, for their personal use and enjoyment, amongst the inhabitants of the United Kingdom to-day is commonly taken as amounting to some £1,750,000,000, whilst Mr. Bowley and others incline to the view that this is some £100,000,000 too little. The entire earned income—the income from personal exertion—as shown in Table XXIV., amounts to about

£1,470,000,000. If we add to this a further £330,000,000 as "unearned," we get a total of £1,800,000,000; and, so far as the facts are concerned which have hitherto entered into our computations, we may accept this sum as correct. There is one fact, however, which, under one of its most important aspects, has been thus far universally neglected by statisticians. This fact relates to that part of the national income coming into this country, and for the most part spent in this country, but having its origin, not in this country, but elsewhere. The amount of such income is, at the present time, computed to be not less than £160,000,000. But since in this work we have been dealing with the year 1905, in view of the rapidity with which this element of the national income has since that date increased, we will take it as having amounted in 1905 to not more than £135,000,000.

Now this income, although it does not originate in the United Kingdom, does not fall from the clouds. Like all income or profits resulting from the employment of capital, it has at the back of it an income which is annually paid out of capital to a body of officials and labourers. If the profits represent the reward of mere investors and active employers, the income here in question constitutes the income of the employed. They are both parts of an organically connected whole, and employers' and the investors' income is economically unintelligible except as connected with the income of the employed, which has to be taken first out

of the gross distributable proceeds. This is equally true of all businesses whatsoever, whether the employed reside in the country which is the home of the employers or not.

If, then, in considering the income of the United Kingdom with a view to ascertaining correctly what is the proportion borne by the earned part of it to the "unearned," we must not confine ourselves to those earners, whether manual labourers or officials, whose work is in these islands, and whose wages come under the cognisance of the British Board of Trade. If a man gets half his income from shares in the London and Brighton Railway, and another half from shares in the Canadian Pacific, a corresponding income earned by a body of employés somewhere is as inseparably connected with what he gets in the latter case as in the former; and if this man's Canadian dividends are counted as part of the "unearned" income of the United Kingdom, the wages of the Canadian employés must likewise be included in the earned income.

If, then, we take the income of foreign origin coming into this country in 1905 as £135,000,000, what amount of income earned by labourers and officials elsewhere are we to take as the concomitant of this? It is impossible to answer this question by reference to any mass of direct and detailed evidence. We can, however, without having recourse to guess-work, arrive at an answer which is sufficient for our present purposes.

Out of the profits of our public companies, as

was shown in Table XXIIB., £16,000,000 is derived from foreign railways, and there is a further profit of £5,000,000, assessed under different schedules, from foreign railways guaranteed by Governments. The total income—£21,000,000—arising from this source ranks first in magnitude amongst the items of which our foreign income is composed, and may, therefore, be taken as a type of the kind of foreign income due mainly to mere investment. Now it so happens that we have, with regard to certain foreign railways, definite official information as to the proportion borne by profits to the corresponding income earned by working officials and labourers.

We have such information with regard to the railways in America (*see* Blue-book, Cd. 4954, p. 130). Profits from railways in America in the year 1905 were to the earnings of the employés as 123 to 310. That is to say, if we take any one shareholder as representing the entire ownership of any railway from which he drew his income, he would for every £100 which he received for himself have been paying away to employés £252.

If, then, we take the American railways as representing the proportion borne by the profits of foreign railways generally, in which British capital is invested, to the amount paid to employés, then for every £100 of income coming from this source into the United Kingdom £252 is paid to working officials and manual labourers somewhere.

If, then, we take, further, the income coming into this country from foreign railways as representing the conditions involved in the receipt of our foreign income as a whole, then the £135,000,000 (which we are assuming to have been the amount of such income in 1905) will have had for its concomitant an income paid to officials and labourers which cannot have been less than £340,000,000. Indeed, when we come to reconsider the general ratio of profits to wages, we shall see reasons for concluding that the sum must be very much greater. We may here, however, be content to take it as the minimum just given.

If, therefore, we are considering our national income as a whole with a view to seeing what proportion of it is distributed amongst various classes as the reward of personal exertion, and what proportion goes to owners in virtue of mere ownership, we must add this sum of £340,000,000 earned abroad to the income earned by inhabitants of the United Kingdom, as set forth already—the amount being in round numbers £1,470,000,000. That is to say, if we treat the income of this country as an economic, and not merely as a political, unit, the earned income will be something in excess of £1,800,000,000, as compared with an "unearned" income of £320,000,000 or £330,000,000; whilst both parts taken together will yield an aggregate of about £2,120,000,000. In other words, out of this total more than five-sixths are earned annually by exertion, and less

than one-sixth is what is commonly called "unearned." This will be shown presently in a revised table.

### § 69. The distribution of the "unearned" income

So much, then, as to the first of the three questions which were just now indicated, namely, What proportion does the "unearned" income bear to the total national income of which it forms a part? But to answer this question as we have done, and say that it forms something less than one-sixth, is to give a very imperfect idea of the manner in which wealth is distributed. We must now proceed to our second question, and consider in what proportions the "unearned" income is distributed amongst the various groups into which the population, according to their total incomes, is otherwise divided. We must here rely largely on probabilities, but by no means entirely.

(1) There is, in the first place, at least £50,000,000 (£30,000,000 of it being rent of lands and houses) which we can identify as going to persons whose total income is below £160. The average, so far as rents are concerned, is about £30 per head. The persons here in question are evidently a body of earners, the unearned element in the income being not enough to maintain them.

(2) In the second place, as is shown in Table XXIII., and the Table in note to p. 119, there are two bodies of workers assessed under Schedule D, all of whom must from the nature of their respective

cases, be in receipt of some "unearned" income which ekes out the income earned by them. There are 150,000 such workers who earn on an average no more than £70 a year, but who are, nevertheless, assessed because their total incomes exceed £160. We may assume that for this group the "unearned" income per head is at least £120. There is a second body consisting of "persons" and partners in small firms and companies, making together 93,000 individuals, who earn on an average no more than £130, but whose total incomes must be in the neighbourhood of £160, for otherwise they would not be, as they are, reviewed for purposes of assessment. It is difficult to suppose that these two bodies receive less than £20,000,000 as an "unearned" supplement to their working incomes.

Further, we have the farmers and all the shopkeepers, the innkeepers, the lodging-house keepers, &c., who pay income-tax, except the largest, numbering together some 350,000 persons, each of whom has probably some capital invested otherwise than in his own business; and, if we suppose that the "unearned" yield of this does not average more than £60 or £70 per head, the total "unearned" income for the group will be about £20,000,000.

Similarly, when we have assigned to the mass of professional men, numbering about 250,000, the maximum "earned" income which the assessments under Schedule D will allow, the conclusion seems unavoidable that a supplementary "un-

earned" income, of somewhat the same amount—namely, £20,000,000—must by them be received likewise.

In other words, there are more or less detailed reasons for assigning to the active workers assessed under Schedules B and D., whose earnings range from about £160 a year to £700, a supplementary "unearned" income amounting to some £60,000,000.*

(3) But besides working earners, there is another class, closely connected with them, which must be considered under the same category. This consists of persons in later life, who have been workers once, but have now retired from business, or else who are the widows of such persons, and who are now living on the proceeds of past exertions. The total number of persons so described was at the time of the last census about 360,000, of whom about 80,000 were women; but the phrase "retired from business" was used with so curious a looseness that all the lunatics over twenty, all the paupers and prisoners over sixty, and all the inmates of all the asylums for sufferers from incurable infirmities, were included under this category. Those who had really been in business and had retired from it cannot have numbered more than 260,000. Such persons—ex-earners retired from actual business—will all belong, we may take it, to the class whose incomes are below £700 a year and whose avocations have been other than wage-paid manual labour, the highest

* This coincides with Mr. Bowley's estimate.

branches of this being excepted. The non-assessed section and the assessed section of this great middle-class body will be approximately equal in point of numbers, as may be seen by a glance at Tables XX. and XXI. We may therefore assign 130,000 persons "retired from business" to each, of whom 45,000 in each group will be widows or spinsters, whilst the remaining 85,000 (allowance being made for married couples) will represent some 50,000 or 55,000 incomes. We may call the total for each group 100,000. If we suppose the average "retiring" income for the lower group to be £150, and for the higher £200, we get a total in the former case of £15,000,000 and in the latter of £20,000,000. Regard being had to certain differences as to the extent of ground covered, these figures are in substantial accordance with the rough estimate of Mr. Bowley, Tables V. and VI., Blue-book 365, pp. 224, 225.*

Thus, so far as regards families with less than £700 a year, the aggregate "unearned" income will be made up in the following way:

| "Unearned" Income supplementing Income of Active Earners | |
|---|---|
| (*a*) Labouring classes . . . . . | £50,000,000 |
| (*b*) Middle class . . . . . | 60,000,000 |
| **"Unearned" Income of Persons Retired from Business, etc.** | |
| (*a*) Lower middle class . . . . . | 10,000,000 |
| (*b*) Middle class with incomes exceeding £160 . | 25,000,000 |
| Total . . . . . | £145,000,000 |

* Mr. Bowley does not deal with the "retired from business" whose incomes are below £160. The number of incomes between £160 and £700 he takes (as we have seen) to be no more than 830,000. The

### § 70. The "unearned" element in incomes exceeding £700 a year

The entire "unearned" income of the country being, then, £320,000,000, or perhaps 3 per cent. more, there will remain, if the above computations are approximately correct, an unearned portion amounting to about £175,000,000, which will go to the classes whose incomes exceed £700.

Let us turn back to Table XXIV., in which two things are compared, namely, (1) the *earned* income of the lower middle-class, together with the *total* incomes of the assessed classes, as estimated by the number and values of actually existing houses, and (2) the earnings of each class as deduced from an analysis of Schedules A. B. D and E. If our estimates thus far as to the distribution of "unearned" income are correct, they will correspond with the differences, as shown, between the total incomes and the earned portions.

Without attaching too much importance to mathematical exactitude, we see at all events, from the following table, that our computations with regard to the distribution of the "unearned" income correspond substantially with our previous computations of other kinds, which have been reached independently in a variety of other ways.

We may, therefore, take it as established that out

number shown by the computation in this volume exceeds 1,200,000. On the assumption that the number is only 830,000, Mr. Bowley gives the income of the "retired from business" as being in the aggregate about £18,000,000. The larger number, according to Mr. Bowley's reasoning, would yield a "retiring" income of £27,000,000, which substantially coincides with that given above.

of an "unearned" income of about £320,000,000, one-fifth—or £65,000,000—goes to the classes

TABLE XXV. COMPARISON OF THE ABOVE COMPUTATIONS WITH THOSE GIVEN IN PREVIOUS TABLES

| Incomes of lower middle-class (under £160) computed on basis of earnings. | | Income earned, as deduced from income-tax schedules and census returns. | Difference between earned income and total. | Distribution of unearned income as analysed above. |
|---|---|---|---|---|
| Total incomes, earned and unearned (as shown by the detailed evidence of houses of various values), below £160 . . . | £143,000,000 | £141,000,000 | "Unearned" ignored in previous computation | £15,000,000* |
| Total of incomes, earned and unearned (as shown by the detailed evidence of houses of various values), exceeding £160–£700 . . | £350,000,000 | £270,000,000 | £80,000,000 | £80,000,000 |
| Total of incomes, earned and unearned (as shown by detailed evidence of houses of various values), exceeding £700 . . . | £400,000,000 | £224,000,000 | £176,000,000 | £175,000,000 |

* In the *Contemporary Review* for August, 1907, Mr. J. Quail summarised the investments of the "working" classes as shown by a number of official returns. To these figures he added two which were mere estimates. The total amounted to £886,000,000 of capital. This would yield an income of about £35,000,000. The capital represented by small freeholds and house property was, however, given by him as no more than £20,000,000, which would yield an annual income of not more than £1,000,000. We know, however, from the Income-tax Statistics, that the total income derived from lands and houses, which is exempt as going to persons with less than £160 a year, is something over £30,000,000. If, therefore, the lower-middle class is included amongst the workers, the total unearned income will be about £65,000,000.

with less than £160 a year, a quarter to the classes with incomes between £160 and £700, and £175,000,000—or something more than a half—to the classes whose incomes range from £700 a year upwards.

These last, as we have seen, are by common consent divided broadly into two sections, the one comprising families with incomes between £700 a year and £5000, the other consisting of those whose incomes exceed £5000. How is an "unearned" income of some £175,000,000 distributed between these two groups? That is the question to which our attention must now be given.

Let us begin, then, by turning back to Table XVI., where we shall find that of the total sum—£400,000,000—with which we are now concerned, the aggregate of incomes between £700 and £5000 is £267,000,000, and that of the incomes exceeding £5000 is £133,000,000. Now there is a certain portion of the "unearned" income of these two groups with regard to the disposition of which we have evidence, definite in kind though now no longer recent—that is to say, rent.

This evidence is contained in the survey called The New Doomsday Book (of 1875). It does not, however, deal with the rent of land only. Like the assessments under Schedule A, it includes house-values also. We can, therefore, draw from it general conclusions only. This work shows that half the area of the country was held by owners of 1000 acres and upwards, and that this half was

again divisible into two, one consisting of over 6000 estates, which, building-sites included, would to-day be worth about £20,000,000 a year ; the other consisting of some 1200 estates the annual value of which would to-day be about the same. We may therefore assume that of this *landed* rental £20,000,000 goes to families with incomes between £700 a year and £5000, and that £20,000,000 goes to those whose incomes exceed £5000. With regard to ownership interest in buildings, which is more equally diffused than the actual ownership of land, we may assume that the poorer and more numerous of the two groups receives more than half of the rental accruing from this source—namely £45,000,000 ; and of a total of £65,000,000, the richer and less numerous group receives £20,000,000. These suppositions being adopted, the group whose incomes exceed £5000, and whose aggregate income is £133,000,000, will receive £40,000,000 of its "unearned" income in the form of rent ; and the group whose incomes range from £700 a year to £5000, and whose aggregate income is £267,000,000, will receive £65,000,000 of its "unearned" income in the form of rent. Now the total net rental in 1905, assessed under Schedule A, was in round numbers, about £180,000,000 ; therefore, deducting from this sum £105,000,000, we get a remainder of £75,000,000 which will go to persons with incomes not exceeding £700, of which more than £50,000,000 can be identified by means of the exemption and abatements recorded in the returns to Income-tax.

These figures will be reconsidered at length in a separate section, and the reader will be enabled to draw his own deductions from them.

And now, before dealing with the rest of the "unearned" income derived by each of these groups from sources other than those of land and houses, let us estimate as best we can from our previous examination of earned incomes what, in each group, is the amount of income earned.

It will be seen from Table XXIII. (items xiii, xvi and xvii) that the number of earners (other than the financial group) earning more than £700 a year is nearly 100,000. If we add the financiers (whose number is not obtainable), the earners will probably number more than 120,000, their aggregate earnings being about £224,000,000.

From the income-tax statistics with regard to "persons" and private firms, it will be seen that there are about 6000 earning more than £5000 a year, the aggregate being £48,000,000; and probably 2000 working partners in the greater companies (out of an estimated total of 22,000 making over £2000 *), the aggregate earnings of these 2000 persons being £16,000,000. If we add £8,000,000 as the earnings of certain great financiers out of the total earnings of the financial group, namely £26,000,000, we get an aggregate of earned incomes exceeding £5000 which amounts to about £70,000,000.

If we deduct these 8000 earners of over £5000 a year from the total of 120,000 persons earning

* *See* Table XXIIB.

over £700 a year, we shall have about 112,000 persons earning between £700 a year and £5000. The smaller incomes in this group exhibiting an immense preponderance (*see* Table XVI.), we may take their average earnings to be about £1400. Their aggregate earnings accordingly will be about £134,000,000.

To the aggregate earned income of each group let us add the estimated amount of "unearned" income derived from lands and houses, and the difference between the result in each case and the total income of the group from all sources will be the amount of "unearned" income derived by it from property of other kinds, such as Government stock and shares in business companies.

If stated in tabular form, the matter will be at once intelligible. See Table on next page.

Such an estimate as this, our available data being what they are, can at the best be no more than a rough approximation to the truth, and it is in its details open to various criticisms; but, in its broad outstanding features, it is here claimed that it substantially represents the truth.

### § 71. The earned and unearned incomes of the population taken as a whole

And now, provided with this rough analysis of the "unearned" national income, let us turn again to a consideration of the national income as a whole. We will first reconsider the portion of it which is earned, taking into account the facts which have been already dwelt upon with regard

TABLE XXVI. ROUGH TENTATIVE ESTIMATE OF THE DISTRIBUTION OF "UNEARNED" INCOME BETWEEN THE TWO RICHER GROUPS OF INCOME-TAX PAYERS

| | (1) Incomes over £5000 | (2) Incomes from £700–£5000. | Note. |
|---|---|---|---|
| | £ | £ | |
| Earned income . | 70,000,000 | 154,000,000 | |
| Unearned, from rents* | | | |
| Agricultural rent | 10,000,000 | 10,000,000 | Thus the earned income of group i will be £70,000,000 and the "unearned" income 63,000,000, and the earned income of group ii will be £154,000,000 and the "unearned" income £113,000,000. |
| Site-rent . . | 10,000,000 | 10,000,000 | |
| Income in respect of houses. . | 20,000,000 | 45,000,000 | |
| | 110,000,000 | 219,000,000 | |
| Estimated income from all sources . | 133,000,000 | 267,000,000 | |
| Difference between earned income and rent and total income — income from stock, shares, &c. . . . | 23,000,000 | 48,000,000 | |

* The net capital values of agricultural land changing hands at death in the year 1909 was £15,600,000. Of this, £3,700,000 was represented by estates worth less than £10,000, the maximum net rental being probably under £350. Such estates formed about one-fourth of the whole. The net capital value of house property and sites combined changing hands at death in the same year was £35,000,000. Of this sum, estates worth less than £10,000 accounted for £21,000,000, or nearly two-thirds of the total. If the income arising from such properties is distributed in the proportions which these figures indicate, the results will accord substantially with the estimates in the above table. The total rent of sites and houses being about £145,000,000, the amount going to holders of estates with less than £350 a year will be about £80,000,000. The total net agricultural rent being about £40,000,000, the total going to holders of estates with less than £700 a year will be something under £10,000,000. This will leave a rental of about £95,000,000 for persons with estates of higher value. The sum shown in the above table is £105,000,000. It would appear, therefore, that if this estimate errs, it errs by overstating the aggregate rent of the larger estates and understating that of the former. (*See* Cd. 4868, Table 80.)

to the necessity of including in the earned total the earnings of those labourers and functionaries working in other countries whose efforts are involved in the production of that part of our national income which, employed by British capital, comes into this country from abroad.

The following table is a summary founded on Table XXIII., but it includes foreign employés which Table XXIII. does not. It is, moreover, arranged on a different principle. Earnings in Table XXIII. were classified according to their amount; they are here classified according to the economic positions of the earners.

Let us now recast our arrangement of incomes once more, going back to that adopted in Table XXIII., in which, so far as was practicable, they were grouped according to their amounts; and beside each group of earned incomes let us set the amount of "unearned" income assignable to it according to our estimates. These two classes of income shall then be united in a further table; and we shall thus have a conspectus of the distribution of the income of the country, regarded as an economic whole.

Let us now put the two columns together, and the general distribution of the national income, earned and "unearned," will be as given in Table XXVII.

The reader will see from a consideration of the foregoing tables how various are the aspects under which the national income and its distribution present themselves. For example, what we desire

TABLE XXVII. EARNED INCOME, INCLUDING THAT OF FOREIGN EMPLOYEES; THE AMOUNTS OF INCOME EARNED BY THE VARIOUS GROUPS BEING ENCLOSED IN SPACES DRAWN TO VERTICAL SCALE

| | Amount earned by each group. | Description of group. | Reference to groups of workers as analysed in Table XXIII. |
|---|---|---|---|
| *Employers* | £200,000,000 | Larger employers making over £700 a year, larger farmers and financiers | xv., xvi., xvii. and xviii. |
| | £70,000,000 | Larger shops, &c. | xi. and xii. |
| Independent workers, of whom some employ a little labour | £60,000,000 | Professions | ix. |
| | £97,000,000 | Small miscellaneous businesses, yielding a few hundreds a year | iii., iv., v., vi., vii. and x. |
| *Employed* | £40,000,000 | Salaried employés abroad | Not included in Table XXIII. |
| | £176,000,000 | Salaried employés in the United Kingdom | i., ii., viii. and xiii. |
| | £340,000,000 | Labour employed out of the United Kingdom in the production of the foreign income coming into this country | Not included in Table XXIII. |
| | £845,000,000 | Labour employed in the United Kingdom | Not included in Table XXIII. |

to ascertain is what is the proportion borne by the earnings of labour or other employed effort to the total profits and interest which go to inhabitants of this country, and are for the most part

TABLE XXVIII. EARNED AND UNEARNED INCOMES, GROUPED ACCORDING TO AMOUNTS AND ARRANGED IN PARALLEL COLUMNS

| | Groups of incomes earned, classified according to their amounts. | | Unearned incomes, as apportioned amongst groups. |
|---|---|---|---|
| Over £5000 | £70,000,000 | add | £63,000,000 |
| £700–£5000 | £154,000,000 | ,, | £113,000,000 |
| £160–£700 | £270,000,000 | ,, | £80,000,000 |
| | Foreign employés, £340,000,000 | add nothing | "Unearned" income, if any, derived from services unconnected with this country. |
| Non-manual workers, £100—£160 | £140,000,000 | add | £15,000,000 |
| Manual workers | £845,000,000 | add | £50,000,000 |

spent in it, it is absolutely essential to include the foreign employés, who contribute to the production of such income as comes to us from abroad. If the matter is viewed, not with relation to the economic question of how the national income is produced, but merely in relation to the social and insular question of how it is distributed amongst the inhabitants of the United Kingdom,

then the earnings of the foreign employés must be excluded as an irrelevant factor. From one point of view, the important question will be the number of persons receiving incomes of such and such amounts; from another point of view, it

TABLE XXIX. GENERAL DISTRIBUTION OF THE NATIONAL INCOME, EARNED AND UNEARNED (FOREIGN EMPLOYÉS INCLUDED)

| | | |
|---|---|---|
| Over £5000 | £133,000,000 | Total above £700 a year, £400,000,000 |
| £700–£5000 | £267,000,000 | |
| £160–£700 | £350,000,000 | Total below £700, £1,740,000,000 |
| Foreign employés | £340,000,000 | |
| Lower middle class under £160 | £155,000,000 | |
| Wages of manual labour in United Kingdom | £895,000,000 | |

will be the aggregate sum to which the incomes within such and such limits amount.

The results which we have reached thus far will be summarised and reviewed, with regard to their general significance, in the concluding Section of this work; but certain of our previous estimates are calculated, in their details, to raise a variety of questions, the principal of which must first be examined separately.

# SECTION V

## CERTAIN OF THE ESTIMATES GIVEN IN THE PRECEDING SECTIONS RE-EXAMINED

### SUB-SECTION I

### THE ANNUAL VALUE OF LAND, AND THE PROPORTION BORNE BY IT TO INCOME FROM OTHER SOURCES

#### § 72. Curious extravagance of popular estimates as to land

THE question of land, at all events in this country, has on some minds an astonishing effect. It deprives otherwise sensible men of all reason, and prompts them to entertain, and solemnly express to the public, ideas as wild and devoid of foundation as those of any lunatic in Bedlam.

Examples may be given from the utterances of Radical politicians and leading Radical newspapers of to-day. Mr. Hemmerde, K.C., M.P., for example, states, as a statistical fact, that "eight men own the bulk of the land of London." A leading Radical newspaper reduces the same assertion in a yet more precise form, asserting that "seven or eight men, as owners of London land, take every year no less than twenty million sovereigns." The seven or eight men alluded

to, whom it is very easy to identify, happen not to own so much as a square mile apiece, the area of London being 116 square miles, and the identified owners of the rest amounting to more than 34,000. The entire ground rental of London, as systematic investigations show, cannot amount to more than some £15,000,000. Hence, according to the Radical newspaper in question, eight men out of more than 34,000 take as ground rents £5,000,000 a year more than all the ground rents of the metropolis put together. With regard to land in general, similar absurdities are rife. Mr. Lloyd George, for example, in a speech delivered at the Queen's Hall, committed himself to the proposition that 2500 people owned two-thirds of the soil. He was, it is obvious, speaking in terms of area. Now two-thirds of the area of the United Kingdom is 56,000,000 acres ; and it so happens that Bateman, in his latest analysis of the New Doomsday Book, gives precisely this number of acres as owned by a certain number of persons ; but the number is not 2500. It is between 19,000 and 20,000.

### § 73. Two main reasons which render such errors possible

Such misstatements are rendered possible by two facts.

One is that of the 78,000,000 acres of which the area of the United Kingdom consists, 30,000,000 acres (mainly in Ireland and the North and the West of Scotland) is mountain, moor, and waste,

the rental value of which, relatively to this extent, is inappreciable.* Persons like Mr. Lloyd George, therefore, unaware of this fact or neglecting it, are able, even if they should not absolutely misstate figures, to juggle with them in such a way as absolutely to falsify the only important meaning suggested by them. Such persons convey to the public the impression that one acre, for practical and social purposes is just as good as another—that the ownership of 1000 acres on the slopes or on the top of Ben Nevis represents twenty times as much landed wealth as the ownership of 50 acres of good dairy land in the South of England, whereas in reality the rental value of the latter might very well be £250, whilst the rental value of the former would be nothing or next to nothing. Persons who argue about the distribution of landed property in this way are like persons who, being entrusted with the distribution of a mass of money made up of sovereigns, shillings, and pennies, should measure out these coins with reference only to their weight or number, and pretend that they were dividing the whole into equal portions because one man got twelve pennies whilst another got twelve pounds, or one got ten ounces of copper whilst another got

* The difference between land of the kind here in question from cultivable land and permanent pasture is shown distinctly by the marked difference in rental value between the two. To take only 47 of the best known estates, exceeding 20,000 acres, out of a total of 324, we have an area of upwards of 6,000,000 acres, the aggregate gross rental of which, in 1873-5, was but just over £580,000—the average gross rental being less than 2s. per acre. All these properties are in Scotland; except two, which are in Ireland.

ten ounces of silver, and a third ten ounces of gold.

The other fact which explains the possibility of extravagant misstatement is this—that, whilst agricultural land is dealt with in the income-tax returns by itself, site-rents are not differentiated from the interest on the value of the structures.

### § 74. General results of the New Doomsday Survey restated

Since the date of the New Doomsday Survey (which includes the rents of sites and houses, although in the case of London, no analysis is given) the rent of agricultural land has, on the whole, decreased by some 20 per cent. : but whatever change has since then taken place in the distribution of acreages has consisted in a multiplication of small holdings, and not of any appreciable extension of the larger.

The New Doomsday Book has been analysed by Caird and Bateman, who, in respect of their general conclusions, are in agreement, though they present the details in somewhat different form.

The total area of the United Kingdom is about 78,000,000, acres of which about 47,000,000 or 48,000,000 consist of cultivable land and permanent pasture, whilst the remaining 30,000,000 acres consist of mountain, moors and waste, or of tracts which afford grazing during certain months of the year. The rental value of this latter enormous tract may be judged from the fact that ten of the

best-known estates comprised in it, amounting together to upwards of 2,000,000 acres, did not yield more to their owners, even at the time of the New Doomsday Survey, than an average of 1*s.* 4*d.* per acre. It is precisely because the estates which are greatest in point of area are mainly made up of land which is comparatively almost valueless, and only yields an appreciable income when held in very large quantities, that it is possible for popular rhetoricians, without an actual falsification of figures, to exaggerate, as they do, the economic interest in the soil, which is represented by such bodies as the peers and the landed gentry.

According to Caird's analysis of the New Doomsday Book the land of the kingdom, exclusive of freehold sites, which, with any ground attached to them, did not exceed an acre, was divisible into four approximately equal parts, each amounting to about 19,000,000 acres. One quarter was held by 1,200 persons, whose estates averaged about 16,000 acres. A second quarter was held by 3,150 persons, whose estates averaged between 3,000 and 4,000 acres. A third quarter was held by about 5,100 persons, whose estates averaged about 380 acres; whilst the fourth quarter was held by a quarter of a million persons, whose estates averaged about 70 acres. The number of persons owning building sites, or sites with grounds attached to them not exceeding one acre, was about 800,000.

The actual area owned by peers (mountain and

wastes included) was shown both by Caird and Bateman to be almost exactly one-fifth of the whole.

Bateman's analyses show, further, (1) that the number of estates exceeding 100,000 acres is not more than forty-four, and of those exceeding 50,000 not more than 115, the larger part of which (as is evidenced from what has just been said) would, if cut up into holdings of as much as 1,000 acres, hardly yield in rent to their owners the wages of an agricultural labourer; (2) that the number of landed incomes exceeding £100,000 a year was not more than 15, and that the number of those exceeding £6,000 was not more than 2,470.

All the above figures, however, fail to give any idea of the distribution of landed wealth, as distinct from the distribution of areas, until we take into consideration the amount of annual value represented by the holdings whose extent does not exceed one acre. The New Doomsday Book gives analyses in respect of Scotland, which enable us to reach a conclusion which, though very incomplete, is, so far as it goes, definite. It shows us that in nine Scotch towns alone (*i.e.* boroughs with more than 20,000 inhabitants) the rental of properties not exceeding one acre amounted to one-fifth of the entire rental of the country, though the aggregate area of such properties was not more than one four-hundredth part of the whole. If we add the holdings under one acre outside the boroughs, the aggregate rent of these small holders was about one-third of the total. The corresponding class in Great

Britain is shown to have taken about one-third of the total likewise—*i.e.* more than £30,000,000. In Ireland the proportion was not much more than one-tenth. We will now turn again to the condition of things to-day.

### § 75. The true net incomes derived from agricultural land and building sites

The true net income derived from the ownership of land and houses to-day, and the distribution of that income, forms a frequent subject of estimate in the preceding pages. It is desirable, therefore, to point out in detail the kind of evidence on which our own estimates have been based.

The gross agricultural rental of the country in the year 1905 was £51,000,000. From this a very inadequate deduction was made on account of the repairs and upkeep of which the owners bore the cost. Further deductions on account of land owned by charities and public bodies, &c., amounted to about £4,000,000 more. Thus the net rental going to private owners was certainly not more than £41,000,000, and was probably less than £40,000,000.

The combined gross rental of sites and the structures built on them was £205,000,000. How are we to discriminate the site-rent from the rent of the structures ? In the absence of any general valuation made on scientific principles, it is necessary to turn to evidence of an indirect kind ; but enough of such evidence exists to enable us to reach a substantially accurate conclusion.

With regard to London, investigations made by the London County Council show that the average rent per inhabitant for sites and houses combined amounts to about £9, and that about one-third of this—namely, £3—represents the annual rental of the sites.

In the twenty-four largest provincial towns,* with a population somewhat larger than that of London, the rental per head for sites and structures combined is £6 10*s*. For the rest of the country the average is £3 10*s*. Now it is obvious that such differences between the average gross rentals (*e.g.* the gross rental in London is to that in Manchester, Glasgow, Leeds, in the proportion of 133 to 84, 90 and 55 respectively) are not due to differences in the cost of building, which would be approximately the same in all three towns, but must be mainly due to differences in the proportion borne by the rent of the sites to the total rent. Since, therefore, the total rent per head in London stands to the total rent in the great provincial towns and in the rest of the country in the proportion of 18 to 13 and to 7 respectively, the proportion borne by site rent to total rent must be taken as varying in a corresponding way. If it is one-third of the total, or £3 out of £9, in London, it will be a little less than one-fourth, or about £1 12*s*. out of £6 10*s*., in the great provincial towns, and one-seventh, or about 9*s*. out of £3, for the rest of the country.

* For differences between rents in London and elsewhere, *see* Mulhall's "Summaries of Official Valuations for 1887 and 1897," pp. 314 and 744, "Dictionary of Statistics," latest edition.

Hence we get the following figures :

| Site-rent per head. | Population. | Total site-rent. |
|---|---|---|
| | | £ |
| London, £3 . . . | 5,000,000 .. | 15,000,000 |
| 24 great towns, £1 12s. . | 7,000,000 ... | 11,000,000 |
| Rest of country, 9s. . . | 32,000,000 ... | 15,000,000 |
| Total site-rent of country . . . | | £41,000,000 |

Hence the site-rental of the country is about one-fifth, if so much, of the gross rental of houses and sites together. The landed rental (agricultural rents and site-rents combined) amounted in the year 1905 to a little over £80,000,000.

Deducting site-rents from the combined rental value of sites and structures, we get a gross rental for the latter amounting to about £160,000,000. Out of this more than £30,000,000 was deducted on account of repairs—a probably inadequate amount—to which other deductions (exclusive of abatements and exemptions) amounting to about £20,000,000 must be added. Thus the net rental of houses apart from sites will be not much in excess of £100,000,000. In our previous computations, the three kinds of rent together have been taken as amounting approximately to £180,000,000. The actual amount is probably slightly in excess of this.

### § 76. Wild illusions as to the increase of rents in modern countries

Examples have already been given of the monstrous character of the errors held and propagated by extreme reformers with regard to this question of land. Another example, wider in its

scope than any of the others, still remains to be signalised. This is the idea that the rent of land, not only constitutes some enormous proportion of the national income, but also a proportion which goes on increasing.

This idea was first popularised by Henry George, and constitutes indeed the logical basis of his entire scheme for abolishing poverty by making all land national property. The practical key to the situation, he argued, lay in the basic fact that, in every country in which wealth is increasing, the rent of land, by an eternal necessity of the case, not only increases absolutely, but also constitutes year by year an ever greater proportion of the joint product of capital and all human endeavour, so that ultimately, unless this tendency be arrested by some violent legislative revolution, private landlords will monopolise the whole of the national income except so much of it as will suffice to keep the rest of the community from starvation. Having popularised this idea in his work "Progress and Poverty," first published in his own country, America, he visited Great Britain to proclaim the same gospel here. This was shortly after the year 1880. By many methods of criticism it is possible to show that his idea was a delusion, but the irony of events has in a most remarkable way, submitted it to a criticism which renders any other superfluous. Only a year or two previous to the arrival of George in England the agricultural rental of this country had reached its maximum, and from

that time to this it has exhibited an unchecked decline, having fallen in thirty years from nearly £70,000,000 (gross) to £51,000,000. It is true that meanwhile aggregate site-rental has been increasing, but the nature of the combined results will appear from the following figures, which can be verified by reference to the income-tax returns, as given in the Statistical Abstract:

TABLE XXX

MOVEMENT OF TOTAL LAND-RENT IN THIS COUNTRY DURING A PERIOD OF TWENTY YEARS

| | 1885 | 1890 | 1895 | 1905 |
|---|---|---|---|---|
| Agricultural rental (gross) . . | £65,000,000 | £58,000,000 | £55,000,000 | £52,000,000 |
| Site-rental, taken as one-fifth of the gross rental of sites and houses (gross) | £25,000,000 | £28,000,000 | £30,000,000 | £40,000,000 |
| Totals . . | £90,000,000 | £86,000,000 | £85,000,000 | £92,000,000 |

It will thus be seen that in respect of its absolute amount the entire landed rental of the country was scarcely greater in 1905 than it had been twenty years before; whilst in respect of the proportion borne by it to the national income as a whole, the doctrine of George is very easily tested. In the year 1885 the national income was, it is generally agreed, about £1,350,000,000. The entire landed rental was then, therefore, about one-fifteenth. The national income in 1905 was at least £1,750,000,000. The proportion

of rent to the whole had by that time dwindled to a fraction that was hardly more than one-twentieth.*

## SUB-SECTION II

## THE NUMBER AND INCOMES OF THE RICH TESTED BY ACCESSARY EVIDENCES

### § 77. Incomes of the rich, as estimated in previous tables, tested by number of male servants, and carriages of the more expensive kinds.

In Table XVIII. and elsewhere in this volume the number of the class with incomes exceeding £5000 a year is given as 12,000, of whom 200 are taken to have more than £40,000 a year; 800 to have an average of £20,000; 1000 an average of £15,000, and 10,000 an average of £8000. The number of the class with incomes between £700 and £5000 is given in the same table as about 160,000, of whom 140,000 have less than £2000 (the average being £1400), whilst there are about 20,000 with incomes between £2000 and £5000.

These computations were based on the actual

* The following figures from the income-tax returns illustrate the case further:

| Year. | Income from land, sites, and houses Schedule A. | Income from businesses and professsions Schedule D. |
|---|---|---|
| | £ Millions | £ Millions |
| 1861 | 114 | 81 |
| 1868 | 116 | 147 |
| 1875 | 132 | 229 |

number of houses likely to be occupied by families having incomes of such and such amounts; but though the conclusions thus reached cannot fail of being broadly correct, there is considerable scope for error in respect of details, and the precise figures given in the foregoing tables must not be too rigidly insisted on. For example, it would seem, if we assume that houses of a certain class will be exclusively occupied by families with incomes between £4000 and £5000 a year, that those whose incomes lie within these special limits are not more than 3000 in number, whilst those with incomes between £2000 and £4000 are more than five times as numerous, and those with incomes between £5000 and £10,000 are more than three times as numerous (*see* Table XVIII.). It would be impossible to insist on the accuracy of such a conclusion as this. But when we find that, as this same Table shows us, the evidence of houses indicates that the number of families with incomes between £700 and £2000 are no less than 140,000 (the average income being £1400) we have a fact of such magnitude that no minor corrections as to detail, which a fuller knowledge (were such attainable) might necessitate, would materially alter its proportions.

Reviewing then our figures as to incomes above £700, we may confidently say this—that the number of such incomes is about 172,000, of which 140,000 are under £2000, whilst about 32,000 are above that amount. Of these 32,000 incomes, some 20,000, according to our tables,

will be between £2000 and £5000, and 12,000 will exceed £5000. How far can these latter figures be insisted on? The number of the several groups constituting the richest families in the country—the "very rich" *par excellence*—forms a frequent subject of statistical statement, or rather statistical rhetoric, with agitators, their object being to present a picture of these groups which, whilst emphasising their relative minuteness, shall swell their actual number, and consequently their aggregate wealth, to the largest possible proportions. By such persons the figures given in our Tables, though they are appreciably in excess of those regarded as probable by Sir H. Primrose, will no doubt be set down as too small. It will, therefore, be desirable and interesting to invoke certain classes of evidence by which our own computations may be once more tested. These are the evidences provided by the number of male servants, of two-horse carriages, and motor-cars of the more expensive kinds. The Reports of the Commissioners of Inland Revenue enable us to treat these matters with precision.

### § 78. Estimated number of male servants employed in different households

In the year 1905 the number of male domestic servants in Great Britain was 218,000. If we add a fortieth of this number on account of Ireland, we shall get in round numbers some 220,000. Let us now, beginning at the top of the scale, take the various groups as given in the foregoing

tables, and guided by such probabilities as experience of life dictates, see amongst how many households possessing such and such incomes these male servants are distributable.

(1) The richest class—200 millionaires. Two private households might be mentioned in one of which there are 100 servants, male and female, and another in which there are 80. There may possibly be eight or nine other establishments on a similar scale. The names of the owners of such houses, if stated, would be widely known; but their number is so small that general results would not be affected by taking these houses into consideration. If we mean by millionaires persons with more (say) than £40,000 a year, we may take it—it is here suggested—that their male domestic servants will on an average comprise a butler, a groom of the chambers, a valet, five or six footmen, a *chef*, and an odd man, and one or more other subordinates—say twelve male servants in all. If the number of millionaires is, as given in our tables, not more than 200, their households will account for 2400 male servants.

(2) Next to the millionaires there are, according to our tables, 800 families with an average of £20,000 a year. In such families we shall, it is here suggested, find on an average two upper servants out of livery, four footmen, and perhaps two subordinates—say eight male servants in all. If the number of such families be no greater than that assigned to it in our Tables, namely, 800, these families will absorb 6400 servants.

(3) The next class, according to our tables, consists of 1000 families with an average of £15,000 a year. In such families, it is here suggested that the average number of male servants will be six—a butler and head-footman, two under-footmen, and two subordinates. If such families do not number more than 1000, the number of servants absorbed by them will be 6000.

(4) The next class, according to our tables, consists of 10,000 families, with an average income of £8000. In such families, it is here suggested that the number of male servants will be four—a butler, two footmen and a hall-boy, or other subordinate. If such families do not number more than 10,000, the number of servants absorbed by them will be 40,000.

(5) The next class, according to our tables, will consist of 20,000 families with incomes between £2000 a year and £5000. One-half of these, it is here suggested, will have four male servants, and the other half two—the average for the whole group being three. If such families do not number more than 20,000, the number of male servants absorbed by them will be 60,000.

We thus get a total of indoor male servants, amounting to about 110,000, employed by families with incomes exceeding £2000 a year, to which must be added, as we shall see presently, when we deal with carriages, at least 60,000 coachmen, motor-car drivers, and grooms. This will bring the entire number up to some 170,000 male

servants employed by families with incomes exceeding £2000 a year.

(6) We are accordingly left with about 55,000 male servants assignable to 140,000 families with incomes between £700 a year and £2000. This gives an average (roughly) of one male servant to one amongst such families out of every three. When we consider that out of such families a considerable number will have less than £1000, and that persons of moderate wealth rarely have carriages and coachmen of their own in London, this result is not incredible. On the other hand, persons of similar means in the country frequently keep a carriage of some sort, and one servant to look after it. It appears, therefore, probable—we may almost say certain—that the 140,000 families here in question will employ considerably more than 55,000 male servants between them: from which we may infer that our estimates of the number and wealth of the rich and the very rich err, if they err at all, by excess rather than by defect.

### § 79. The evidence afforded by carriages as to the number of large incomes

Let us now turn to the evidence afforded by carriages. Carriages are now divided in the Reports of the Commissioners of Inland Revenue into five classes: two-horse carriages, one-horse carriages with four wheels, one-horse carriages with two wheels, motor-cars not exceeding a ton in weight, and those whose weight is between

one ton and two. There is a small number of much heavier vehicles, but these do not belong to the category of private carriages.

The recent returns with regard to carriages are interesting, as showing how closely connected are their kinds and numbers with the incomes of those possessing them. One illustration of this fact will be sufficient. In the year 1905 the number of two-horse carriages was 46,498, and that of the more expensive motor-cars—those over a ton in weight—was 2411. In the year 1908 the number of the more expensive motor-cars had risen to 12,360, and that of two-horse carriages had sunk to 36,707. The total number of the two groups of vehicles combined remained almost identical, being 48,909 for the earlier year, and 49,007 for the latter.

It will appear then that for our present purpose we may group two-horse carriages and the more expensive motors together; and that one-horse carriages with four wheels and the less expensive motors may be grouped similarly.* Virtually then the number of two-horse private carriages or their equivalents in the shape of the more expensive kinds of motors, is 50,000.

Let us again begin at the top of the scale,

* In 1905 the number of one-horse carriages with four wheels was 66,887, and that of the less expensive motors was 20,739: total, 87,606. In 1908 the number of one-horse carriages with four wheels was 59,473, and that of the less expensive motors was 35,528: total, 95,001. The conclusion to be drawn from this slight difference accords with the well-known fact that many people who would never have thought of keeping a horse-drawn carriage at all will now strain their resources in order to keep a motor.

taking the families, grouped according to their incomes, downwards.

(1) The 200 millionaires. These, we may safely say, will have on an average not less than 5 two-horse carriages, or motors of a corresponding class, each. Total, 1000 of such vehicles.

(2) The 800 families with an average income of £20,000 will have, we may safely say, not less than 4 of such vehicles each. Total, 3200 vehicles.

(3) The 1000 families with an average income of £15,000 will have not less than 3 of such vehicles each. Total number of vehicles, 3000.

(4) Of the 10,000 families with an average income of £8000, we may take it, as a minimum estimate, that the average of such vehicles per family will be $2\frac{1}{2}$. Total number of such vehicles 25,000.

Thus, if the families having over £5000 a year are as rich and as numerous as they have been here computed to be, they will own between them some 32,000 of the two-horse carriages in the country (or their equivalents in the more expensive motors) out of the 50,000 vehicles of such a character that exist.

This leaves a residue of 18,000 two-horse carriages, or their equivalents, to be apportioned amongst some 20,000 families with incomes between £2000 and £5000 a year. The number seems a probable one. If, however, the richest group of families were any richer and more numerous than it is represented as being by our computations, the number of carriages left for

the poorer group would be palpably too few to correspond with what we may take to be the certainties of the case. Mr. Bowley, for example, inclines to adopt the supposition that there are 350 families with an average of £150,000 a year; 4600 with an average of nearly £20,000; and nearly 10,000 with an average of nearly £7000. Were such the case, then, according to the ratios of carriages to incomes just given, all the two-horse carriages or their equivalents, except 1000, would be monopolised by families with more than £5000 a year, and only 1000 left for 20,000 families whose incomes range from £2000 to £5000—which is absurd. On the whole then, the evidence of carriages, like that of male servants, goes to show that our own estimate of the number and aggregate wealth of the richest class is approximately correct, and that if it errs to any important extent, it errs not by being too small, but by being too large—a conclusion, indeed, which is that of Sir H. Primrose, whose estimates are about 10 per cent. lower than our own.*

* To the above observations respecting male servants and carriages may be added the following respecting two other articles indicative of the number, the wealth and the habits of the richest class. These two articles are champagne and yachts.

The number of bottles of champagne imported annually into this country has, on an average for the past ten years, been 4,000,000 (*see* Statistical Abstract, Table 40, where the quantity is given in gallons). If only 12,000 families with more than £5000 a year touched champagne from one year's end to another, this would be less than a bottle a day for the delectation of an entire family circle.

Socialists, when indulging in their denunciation of the capitalist classes, are fond of describing the great employers as an utterly idle body, who do not even take the trouble to look after their own businesses, but abandon them to "hired managers," and themselves pass

## SUB-SECTION III

## THE EVIDENCE OF HOUSES AS RELATED TO THE EXPANSION OF THE MIDDLE-CLASS

### § 80. General observations

It has been observed in the foregoing pages that one of the most important differences between our own estimates and those adopted by other statisticians relates to the number of incomes between £160 and £700 a year. Our own exceeds these by something like 50 per cent. A more important point is here involved than a mere question of actual numbers.

It was the dictum of Karl Marx—and whenever this is repeated at any public meeting any Socialists present are quite certain to cheer it—that under our existing economic system not only do the poor become ever poorer, but the middle classes are being crushed out. This dictum is exactly on a par with that of Henry George to the effect that, in any progressive country the rent of land must always and necessarily bear an increasing proportion to the national income as a whole. The truth of the matter is that, just as the irony of events was beginning on a colossal scale to refute this latter proposition in our

their time on "their salmon-rivers," "their moors," &c., and more especially on those floating palaces, "their yachts." A large steam yacht is, no doubt, the most expensive of luxuries; but of yachts of over £500 tons there are not more than some 120 in the world, and not more than sixty are owned by British subjects. The number of yachts over 400 tons is about the same. (*See* "Lloyd's Yachting Register.")

own country at the very moment when George arrived in order to reassert it, so the irony of events was, during the very period which witnessed the incubation and exposition of the doctrine of Marx, that the middle classes were being crushed out of existence, exhibiting a multiplication of that precise class on a scale to which history has afforded no previous parallel. And this process has never since been checked. The work in which Marx set forth his celebrated doctrine was published in 1865—a date midway between the years 1850 and 1880. In the year 1850 the number of incomes (Schedule D) between £160 and £400 was 101,000. In 1880 it was 300,000. The population had increased only in the proportion of 100 to 130.

That this expansion of the middle class still continues, and constitutes one of the most remarkable results of the working of the present economic system, is shown by the latest Report of the Commissioners of Inland Revenue. Since the year 1898 the number of private houses in Great Britain has increased by 16 per cent. The number of houses whose annual value exceeds £100 has increased by 6 per cent. The number of houses whose annual value is between £30 and £40 has increased by 27 per cent.; the number of those whose annual value is between £25 and £30 has increased by 30 per cent.; the number of those whose annual value is between £20 and £25 has increased by 37 per cent. (*See* Cd. 4868, Tables CXLVIII., CLIV., CLVI.) The number of those

whose annual value is between £15 and £20 has increased by 36 per cent. The number of those whose annual value is under £15 has increased by only 10 per cent.

### § 81. Possible objections to certain arguments used in this volume

Like all arguments based on general averages, the conclusions here drawn from houses as to the number of middle-class incomes, requires to be modified in respect of particular cases. The case of London, with regard to which we have special information, exemplifies this fact; but it does not invalidate the argument urged above, to the effect that the number of incomes between £160 are currently underestimated by statisticians to the extent of some 400,000. This argument is based on the general supposition that persons with less than £160 a year are unlikely to spend more than £20 a year on house-rent.

### § 82. The case of London

With regard to London this supposition must obviously be modified by the following exceptional circumstances:

(1) Owing to the greater proportion borne in London than elsewhere of site-rents to the total rent paid for the occupation of buildings, the annual rent-cost of a house is £25 (and in many cases perhaps £30), whereas a similar house elsewhere would not cost more than £20.

Secondly, in a town like London, a large number

of families who would elsewhere have occupied a house of which the maximum rent would have been £20, pay a similar sum or a smaller for the occupancy of part of a house, the rent of which may be £30 or even £40.

(2) For the entire country the average number of occupants per house is 5; in London it is over 7.

(3) The population of London to-day is about 4,800,000. The number of private houses, including 60,000 residential shops, is 670,000; but, whereas for Great Britain the proportion of houses worth more than £20 a year is to those worth less as 14 to 60, in London this proportion is very nearly inverted, being (in round numbers) as 50 to 18. If we group the houses worth from £20 to £25 with those worth less than £20, the proportion will be as 40 to 27.

Let us now apply certain computations in this volume to the facts as to London houses, taken more in detail. Our tables show, to speak roughly, that about half the families in the country have family incomes of less than £150, and that about half have more, one family in every 38 having an income exceeding £700. If these averages for the whole of Great Britain applied, without modification, to London, London would contain about 480,000 families with less than £150 a year, representing a population of 2,400,000; and only 25,000 families with incomes exceeding £700 — representing a population of 125,000. The remainder, namely, 455,000 families — representing a population

of over 2,200,000 — would constitute a middle class, with incomes ranging from £150 to £700. Of these about 110,000 would have incomes exceeding £160, and about 345,000 would have less. It is, however, obvious from the number of houses in London worth more than £60 as compared with the total number of such houses in Great Britain, that the proportion of families with incomes presumably exceeding £700 is more than twice as great in London as it is in the country taken as a whole. The number of houses worth more than £60 a year, most of which we may take to be occupied by families of this latter kind, is 58,000.

There appears to be no reason for supposing that the poorer section of the population bears a smaller proportion to the rest in London than it does elsewhere. If, therefore, the proportion of the richest section is greater, the number of the intermediate section will be somewhat, though not much, less.

These crude conclusions require, however, to be appreciably modified. Of the inhabitants of London, servants form a proportion which is by no means negligible. In every house worth more than £40 a year, there is probably a servant of some kind. In the case of houses worth £100 a year there will for every two houses be probably five servants. If we take the aggregate rent of all houses worth more than £40 a year, that there will be 2½ servants for every £100 of rental.

Let us begin then at the top of the scale, with

the 58,000 houses worth more than £60 a year. The aggregate rental of these is about £10,000,000. If we divide 10,000,000 by 100 and multiply the result by 2½, we shall get for these houses a population of 250,000 servants. If for each of these same houses we add an occupying family of 5, we get a farther population of 290,000. Total, 540,000.

Let us now approach the problem from the other end. We have, according to our hypothesis, 480,000 families, or 2,400,000 persons, having family incomes of less than £150; and just as we must assume that the richest group will fill up between them the most expensive houses from the top downwards, so we must suppose that the poorer group will fill up the cheapest houses from the bottom upwards. The general assumption adopted in this volume is, let it be said once more, that families having less than £150 a year will not as a rule pay more than £20 a year for house accommodation, this limit being raised in London to £25.

The number of houses in London worth less than £25 a year is 270,000. We may assume that of these some 30,000 are overcrowded with the 350,000 persons, more or less, whom Mr. Charles Booth describes as "the very poor." Deducting these houses and these occupants from the totals here in question, we have 240,000 houses left, which will be occupied by a portion of the remaining 2,050,000 persons dependent on incomes not exceeding £150, and not paying—

so we assume—more than £25 per family for their house accommodation.

We can only work here by assumptions, these being checked by each other, and bounded by certain outlying facts; but it is obvious, when the size of the smaller houses is considered, that out of some 400,000 families earning less than £150 a year, a considerable portion will occupy a separate house per family. If we assume that the houses thus occupied will comprise the superior portion of the 178,000 houses worth less than £20 a year, practically the whole of such houses will be divided between these families and the "very poor." These two groups between them will account for some 1,100,000 persons.

A further group, consisting of some 1,300,000 persons, still remains to be housed. If the families comprised in it will not pay more than £25 for their dwellings, what is London able to supply them with for their money?

In the first place there are 91,000 houses worth between £20 and £25. If we suppose these to be occupied by the same number of superior working families—every fifth family taking in a lodger—we have found accommodation for 540,000 persons; and we have about 650,000 persons or 150,000 families left.

It is plain that if the expenditure on rent is limited for them too by the sum of £25, no one of such families will be able to have an entire house to itself. Each will have to occupy part of a house whose rental exceeds £25; and the kinds

of houses which, as lodgers, they will thus share with the owners will presumably be the houses next in order of cheapness. If we assume that these 150,000 families will live two in a house, they will occupy between them 75,000 houses. They certainly will not occupy more. Now the houses which, in the upward direction, come next in order of cheapness to those with which we have dealt already consist, according to the official classification, of 56,000 worth between £25 and £30, and 125,000 worth between £30 and £40—total 181,000. Of this total group of 181,000 houses, ranging in value from £25 to £40, 75,000 will be occupied by families with incomes below £150; and 75,000 will be left over for families whose means are larger.

Now we have already accounted for 58,000 houses worth more than £60 a year as occupied by families with more than £700 a year, and their servants. We have also accounted for nearly 400,000 houses worth less than £40 a year, as being occupied by families with incomes not exceeding £150. The total of these two groups is 458,000, out of a total for the metropolis of 670,000. The remaining houses not yet accounted for are houses whose rentals range from £30 to £60, of which 105,000 are those worth between £30 and £40 (left over, according to the foregoing assumptions, after we have assigned a similar number to the families of lodgers and their landlords); whilst 84,000 are houses worth between £40 a year and £60, and the remainder are

residential shops — the number being about 60,000.

We thus have a group of residences amounting approximately to 250,000, to which must be added about 12,000 inns, public-houses, and hotels, worth more than £100 a year, each of which will have a group of permanent residents. Corresponding to this group of medium houses, which lie, according to our computations, between the homes of families with more than £700 a year, and the homes of those with less than £150, we have also a middle-class population left over, composed of families with incomes between £150 and £700, and comprising, together with a certain number of servants, a population of approximately 2,000,000 persons.

Now without going into any minute computations as to how 2,000,000 persons may conceivably be distributed amongst 262,000 houses, it will be enough to consider the following broad facts. The average population per house for the entire metropolis is a little over 7. Out of the 400,000 houses composing the two extreme groups, the average number of persons per house is only 6 in the case of 240,000 houses, but it is 10 or 11 in the case of 160,000, *i.e.* the 58,000 houses worth more than £60 a year, and 105,000 of those worth less than £40. If, however, the two extreme groups—those occupied by the poorest families, and those occupied by the richest—*are taken together*, we have 400,000 houses to a population just short of 3,000,000. The average per house for both

groups is therefore identical with the average for the metropolis as a whole—that is to say, a little over 7 per cent. It follows, therefore, that for the medium group which remains, the general average of persons per house will be a little over 7 likewise. If we multiply 260,000 (the approximate number of the houses in question) by say 7½, as representing the number of persons per house, we get a total of 1,965,000 housed persons, which, in a rough calculation like this, can be taken as virtually identical with the number of persons required—that is to say, the number of persons in London who, according to the course of reasoning here pursued, will be supported on family incomes between £150 and £700.

It may be said that the above computations are a series of mere guesses. It is true that they have an element of guess-work in them; but they are far from being guesses only. They are guesses, as was said just now, which are strictly limited in their scope by a number of known facts, and are limited still further by the necessity of harmonising them with one another.

Still, as they stand, they represent in detail mere working hypotheses; but, even as they stand, they bring one fact into prominence. If the figures above suggested are incorrect to any important degree, the population supported on incomes not exceeding £150 must occupy more or fewer houses than the number here assigned to it. If it occupies fewer, we get a larger number

of houses with annual values which would be prohibitive for any occupants not possessing larger incomes; and the number of the intermediate class will be larger, not smaller, than that assigned to it in our computations. In other words, as the value of the houses with which we have to deal rises, we can only allocate occupants with incomes below a certain amount to houses with rentals which would otherwise be disproportionate to their means, by increasing our estimate of the number of those families who generally occupy but one-half, or it may be one-third, of a house. But in proportion as we do this, we are in our estimate leaving other houses empty, and whilst we seem to be solving a difficulty, we are reproducing it in another form.

The full significance of this fact, however, is not apparent till we consider the country as a whole. The total number of dwellings in Great Britain, residential shops, hotels, and farm-houses included, was 8,011,000. The population was almost 40,000,000. Allowance being made for houses without tenants, we get for the entire country an average of five persons per house. Such being the case we may compare the country to an hotel with 800 bedrooms, of which 600 cost from 2*s.* 6*d.* to 5*s.* a night, 150 cost from 6*s.* a night to 10*s.*, and the remaining 50 more. If we suppose such an hotel to be full, we shall have a convenient symbol of the houses and the population of Great Britain. Let us then begin with the assumption, which must at all events be

approximately true, that the guests are accommodated with rooms proportionate to their respective means. In that case, if we begin at the bottom of the scale, we shall have the 600 cheapest rooms occupied by guests with incomes below a certain sum—let us say £160. If we begin at the top of the scale, we must assume—and all our statisticians make this inevitable assumption in common—that the 200 rooms, the cost of which exceeds 6*s*., will be occupied in the order of their cost by as many people with incomes exceeding £160 as are forthcoming to fill them. Now what has been urged in the present volume is that, according to the estimates adopted by Sir H. Primrose, Mr. Bowley, and Mr. Money alike, there are only enough guests with more than £160 a year to fill up (say) 150 of these rooms out of the 200 in question, and that 50 will be left over for whom no occupants can be found. The answer made to this argument is that they are in reality occupied by persons with incomes below £160, who, though they could not afford to occupy such rooms individually, manage to occupy them by the plan of sleeping two or three in a bed. Since, however, the entire number of rooms and the entire number of guests are known to be practically equal, the special rooms here referred to (whose average price is, let us say, 7*s*.) can only be thus populated by pulling a number of the poorer guests out of the cheaper beds which they occupy singly, and thus leaving a number of (let us say) 5*s*. bedrooms empty. However

we put the matter, there will be, on this assumption, a great hiatus somewhere.

To go back from metaphor to actual fact, these supposed 50 bedrooms at 7*s.* per night, represent about 400,000 houses worth between £20 and £30 a year (the average rent for houses being about £22, or with rates and taxes, £26 or £27), for which the computations of Mr. Bowley and others can only allow occupants with less than £160 a year, because all families with more have already been ensconced in houses suited to their larger means. Let then the argument of this volume be here once more repeated. If to houses of this particular class we assign more than one family apiece, so as to reduce our estimate of the incomes which must otherwise be assigned to the occupants, we shall be obliged to assume that 400,000 houses of some kind, capable of accommodating 2,000,000 persons, stand chronically empty. If we tried to do away with this difficulty by reference to the known fact that a percentage of empty houses actually does exist, we should even so account for only one-half of the number ; and we could only account for that on the wholly impossible supposition that all the empty houses were confined to this particular class. Any such supposition will appear still more fantastic when we reflect on the fact that houses of this particular class are precisely those the number of which is increasing year by year most rapidly. Of houses between £20 and £30 in value, 157,000 have been built during the last nine years. That these

should be built as tenement houses, rather than for the occupation of separate families, is a supposition which would be incredible in itself, even if it were not negatived by the other considerations above enumerated.

## SUB-SECTION IV

## EARNED INCOME, AND UNEARNED INCOME. AN ANALYSIS OF THE MEANINGS IMPLIED BY THESE PHRASES

### § 83. Ordinary idea of "earned" income

The ordinary meaning attached to the phrase "earned" income, is this—an income which, being the reward of effort, is practically contemporaneous with it, or, in other words, is continuous in proportion as the effort is continuous—as would be the case with a fisherman who had nothing else to eat but the fresh fish which he caught from day to day. But even in such a case as this, the effort and the realisation of the earnings would not synchronise absolutely, since many hours would elapse between the time when the fisherman set out in his boat and the time when his meal was removed from the fire or the frying-pan to his plate. Still there is no doubt that his meal, when he got it, would be earned. Now let us suppose that the fisherman learns the art of preserving his booty in an ice-house, and that one day, owing to the presence of an enormous shoal, he is able to catch and

preserve enough fish in a morning to last him for six months. So far as sustenance goes, he can now for six months rest idle; but nobody could say that his meals during his indolence were any the less earned by his own exertions than those for which previously he had laboured from day to day.

### § 84. Inadequacy of the ordinary idea

The same argument has applications of a very much wider kind. Much of the most fruitful effort to which the wealth of the world is due does not even begin to fructify till the effort itself has ceased. A man, let us say, devotes years to the contriving and the making of some implement by using which he is able to produce in a given time five times as much of something as could, without its aid, be produced by himself or by anybody. Now if, when such an implement was made, the maker alone could use it, because the use of it demanded as much special skill as the making, no one would deny that the extra products produced were as truly the product of this man as those—one-fifth in amount—which were all he had been able to produce before he had his implement to aid him. Let us, then, suppose that his talents carry him a step farther, and that, ultimately, he brings his implement to such a state of perfection that the stupidest man to whom he lends it can use it as effectively as he. When this stage has been reached, the maker, so far as production goes, may rest idle for ever

after, and live on a portion of the enhanced products producible by his implement when this is lent to others, who will gladly pay him a portion of the extra output, keeping the remainder for themselves. Will any one say that what such a man receives now is a something which has ceased to be earned by him? To maintain this proposition would be tantamount to maintaining that he earned what he produced through his implement so long as that implement was imperfect; but that by the crowning act of exertion which enabled him to render it perfect, he wiped out every claim which he would otherwise have had on its products.

### § 85. House-rent as earned income

Let us take another imaginary example. Let us suppose a society in which the only habitations are tents. Let us also suppose that tents are such perishable structures that they last only for twenty-four hours, and must be renewed from day to day. The men who supplied tents to such a society as this would naturally be paid something for each fresh tent they supplied, let us say 6*s.*; so that each occupant would, in the course of the year, pay for his series of tents about £100. Nobody would deny that this £100 was, in each case, earned by the men by whom the tents were made. But let us suppose that some tent-maker discovered one day the art of building with stone; and instead of providing his customer with a series

of ephemeral habitations, provided him with one which, when once constructed, would be permanent. The permanent habitation would fulfil for the occupant the same purpose that the tents did, but would do so incomparably better. How, if the tentmaker earned £100 a year by his tents, would the tentmaker, turned builder, fail to earn, in exactly the same sense, whatever rent might be paid him for the use of his house ?

Even ardent radicals who would push to its utmost possible limits the distinction between "unearned" income and earned, with a view to placing a vindictive tax on the former, tacitly admit that, as to houses, this argument is sound. Henry George himself admitted the same thing. During his visit to England he produced a leaflet or manifesto, headed, "Pay your rent by all means but see what you are paying it for"; by which he meant, "Pay your landlord the interest on the value of buildings, but pay to the community, through the State, the rent of the land on which the buildings stand."

Those who make this admission with regard to houses, practically admit, though they may not so express it, that the income received on account of the use of buildings is earned. It has, however, probably not occurred to them to consider that in this country the sum thus paid for the use of buildings—about £100,000,000 a year—constitutes nearly one-third of the income which, in many of their estimates, they are accustomed to class as "unearned." If we transfer

the rent of buildings from "unearned" income to earned, we reduce the former from £320,000,000 to less than £220,000,000.

### § 86. House-rent and interest on other forms of fixed capital

But why stop at buildings? More than half the buildings in Great Britain—their number was 3,648,000 in 1851, and is now 7,500,000—have been constructed during the past sixty years. If we add to houses premises used for trade, &c., 40 per cent. of the buildings now existing have been constructed within the last thirty years. These buildings were constructed in order to render certain services to their occupants; and those who constructed them by means of the capital which they had earned and saved, earn what they receive for the services which these buildings render, no less than a man whose trade is to black boots earns what he gets daily for the use of his arms and brushes. The fact that buildings last whilst the polish on boots does not, and that the builder earns nothing at all till the act of building has been once for all completed, does nothing to prevent his reward, when he begins to receive it, from being earned. Of the profits of the railways we must say precisely the same thing. If more than half the buildings in the country have been built during the last sixty years, nearly all the railways have been constructed during the last seventy. They are the work of grandfathers of men who are now living; and

though house-property and shares in railways are constantly changing hands, so that the owners to-day may not in a literal sense be the children of the individuals by whom such properties were originally created, the present owners have acquired what they happen to own by exchanging one kind of recently created property for another.

### § 87. Henry George on the interchangeability of all forms of capital

This interchangeability of all kinds of income-producing or service-rendering capital, as was pointed out by Henry George himself, does nothing to alter the situation, although for the hasty observer it no doubt tends to obscure it. If A earns £100 a year in the form of the rent of a building which he built ten years ago, and B earns a similar sum as royalties on the use of an invention which he invented ten years ago, the fact that these two men are earning £200 a year between them would in no way be affected by the fact that they elected to exchange their properties, the patent-rights of B passing over to A, and the house of A passing over to B.

### § 88. The income from capital a form of indirect or deferred earnings

A man does himself that which he does through another. A man produces himself that which he produces through the results of his own past activities. This is the long and short of the matter, and this is the common sense of the

matter, and, such being the case, the whole of the income commonly called "unearned" is, with the exception of a comparatively small portion, as much earned by exertion as the rent that is paid for buildings; and the rent paid for a building is as much earned by the man who paid the masons as are the wages which the masons received out of what this man or his father had managed to earn previously.

### § 89. Land as a theoretical exception

The only exception to this rule—and the exception is mainly a theoretical one—is, of course, land. This exception is mainly a theoretical one for the following reasons. In an old country like our own agricultural land itself is so largely a manufactured article that the greater part of its rental value to-day is due to the capital that has been sunk in the soil rather than to the soil itself. The mere prairie value of the land, or the capability-value of the land, if this could be accurately ascertained, would be probably not more than one-fourth of the actual yearly rental, or about one-ninetieth part of the present national income. The rent received for building-sites—about £40,000,000 a year—would no doubt be liable to a much smaller deduction; but at least one-fourth of the total actually paid as ground-rent is probably due to expenditure in the way of road-making, drainage, &c., incurred by the ground-landlords before their properties

are handed over to builders. If to rents we add mining royalties—about £5,000,000 annually—we may possibly get a total of £45,000,000—half of it going to persons with less than £700 a year—which, if taken *per se*, may be properly called "unearned." If the properties from which this income is derived were a monopoly, *i.e.* if they were inalienable, always remaining in the hands of the same persons or their descendants, it might, theoretically, be possible for the State to deal with them in some special way. As a matter of fact, however, properties of this kind (like buildings, shares, stock, ships, and so forth) are constantly being exchanged for equivalents belonging to some other category; and, as Henry George was perfectly right in asserting, when one fraction of the various properties of a community is interchangeable with properties of any other description, the character of this part must inevitably be assimilated to the character of the rest.

### § 90. The hiatus in the logic of Henry George

The curious defect in George's logic was this—that whilst he applied this searching argument to all forms of capital as interchangeable amongst themselves, he failed to apply it to land as interchangeable with all other forms of capital. The reason of this oversight on his part is sufficiently obvious. He was led astray by the wildly erroneous idea that the rent possessed one unique

practical characteristic, namely, that of increasing faster than the rest of the income of the community, no matter how derived. It consequently assumed for him, like a figure in a madman's dream, unreal and monstrous proportions. Really resembling a man whose stature, year by year, is growing less in proportion to that of a taller generation which is springing up around him, it presented itself to George as an ogre who, forty feet high to-day, would to-morrow be as high as a skyscraper, and who would gobble up everything in the old world and the new the day after. If only his imagination had been sobered by a dispassionate study of facts, the principles which he himself enunciated in his more lucid moments would have nipped in the bud the fallacy which he has made himself famous by proclaiming.

### § 91 The true productive unit, not one life but a sequence of two or of three

Even, however, if all this be granted, there is another argument with regard to income from ownership generally which (though it belongs properly to the region of social philosophy, and though this volume is primarily a volume of statistics) requires to be noticed here in view of the concluding remarks which will be made in our final pages.

It may be urged that, though a man who lives to a great age, and has never exerted himself since he was thirty in economic production of

any kind, may be correctly said to be earning in his ninetieth year an income which results from certain efforts which had achieved their object in his twenty-ninth year, yet when such a man dies, and his income is transmitted to his descendants, or when a portion of it has been settled on his sons, or on his sons' sons, during his lifetime, the character of the income is transformed in the process of personal transference; and, although it had been earned so long as it was possessed by the testator, ceases to be earned as soon as it is possessed by the heirs.

From the point of view of the individual such a position is arguable. From a wider point of view it is not so. If each man were an isolated unit, if no ties bound him closer to any one of his fellows than to any other, his interest in his own property would be bounded by his own life. As a matter of fact, however, most men to a certain extent, and men of exceptional energy to an exceptional extent, identify their own interests with the interests of those who belong to, and will outlive them. Their energies are bound up with a projection of the objects of their efforts into a future, certainly not illimitable, but probably reaching as far as the second yet unborn generation.

In other words, all exceptionally vigorous economic action is exceptionally far-seeing. Its motive-power resides in expectations of a remote but calculable future—herein being distinguished from the action of the less energetic, who can only

visualise and work for results which will be achieved to-morrow. Hence, with regard to the exceptionally vigorous workers—the chief accumulators and the chief creators of capital—we may say that, their lives and motives thus extending themselves by means of expectation beyond the borders of their own individual existence, the producing unit in their case is not one life, but three; and that thus, at any given period, the income arising from heritable property is earned, in so far as that property is the creation of the parents or grandparents of those at present possessing it.

### § 92. Rarity of cases in which unearned income is being conserved in the same families

If so much be admitted, we shall find that almost the only "unearned" income enjoyed in this country to-day consists of the rent of such land as has been for a prolonged period in the hands of the same families, any increase in such rent being deducted which is due to effort or expenditure during the past eighty years.* The number of families to whom such a description will apply is extremely small, as is well known to genealogists, and as such works as our County

* Let anyone who doubts the recent creation of the majority of the incomes of to-day which exceed £160 reflect on the figures given in a previous note, which shows the amount of income assessed under Schedule D at a date so recent as 1868. It was then £147,000,000. To-day it amounts to £518,000,000; even so lately as 1893 it was not more than £356,000,000. Thus 30 per cent of it is the creation of the past fifteen years; and some 70 per cent is the creation of the past forty. (*See* page 172.)

Histories, the larger Peerages, and "The Landed Gentry" testify. These families constitute the nucleus of our hereditary aristocracy—a body whose leisure has provided us with a number of our greatest public men; but its aggregate income is an altogether negligible quantity when considered in relation to the national income as a whole, and does not probably constitute more than one-sixteenth of that portion of the national income which is commonly called "unearned."

Amongst the various results of the existing economic system which are denounced most frequently by Socialists, one is the alleged tendency of that system to create an increasing class of idlers who, when once established, will transmit their position to their idle descendants in perpetuity. The idea on which this argument is based is entirely contrary to experience. Land, the form of property which lends itself most readily to preservation in the same families has, as has just been said, changed hands in this country so extensively and at such frequent intervals that the "new men" amongst the "landed classes" are far more numerous than the old; whilst the retention in the same families of fortunes derived otherwise is, from the nature of the case, more precarious and less prolonged. The Lancashire proverb that there are only three generations "between clogs and clogs," and an American counterpart that there are only three generations "between shirt sleeves and shirt sleeves" shows that popular observation endorses

this conclusion. Any one form of property however seemingly secure is liable to be depreciated or destroyed by the rivalry of the active workers whose energies are the source of the world's material improvement. Just as the bulk of the income arising at any given time from the ownership of income-bearing property represents the indirect earnings, if not of the living recipients, at all events of their parents or grandparents, so do three generations tend to comprise the time during which without fresh exertion on their own part this property, or its equivalents, is likely to remain in the hands of those, or of the descendants of those, who at any given time may be possessing it.

The significance of these observations will be emphasised in the concluding section of this work.

## SUB-SECTION V

## THE RELATION OF PROFITS TO WAGES, AS ESTIMATED IN THE PREVIOUS TABLES, COMPARED WITH CERTAIN RECENT STATISTICS

### § 93. The evidence of recent official statistics with regard to the great industries

In view of the kind of argument currently used by agitators, one of the most important results emerging from the figures put forward in this volume is that which relates to the ratio of the wages or salaries of the employed to the profits of those employing them. Socialists are accustomed

to declare that for every pound paid to the employés, the employers or "exploiters" take £3, or, according to Mr. Hyndman, even more; and this estimate purports to be deduced from the Marxian theory that all the values (or in other words all the wealth) represented by manufactured commodities are determined by, and bear a constant ratio to, the number of labour-hours which are, on an average, expended by the employés in producing them.

With regard to the actual ratio between profits in this country as a whole and the wages paid to employés in this country as a whole, it will be shown in a later section of this work that, instead of profits being more than three times the amount of wages, wages on the whole are about four and a half times the amount of profits. Meanwhile it may be observed that the absurdity of the Socialistic estimate is conclusively proved by the limits of the national income itself.

The national income, as we have seen, was in 1905 about £1,750,000,000—income of foreign origin to the extent of some £135,000,000 included. The income of domestic origin was not more than £1,620,000,000. If even the lowest Socialistic estimate of the ratio of profits to wages were correct—if the former were only twice the amount of the latter, instead of being thrice, as most Socialists contend, then the income of domestic origin created by the larger businesses alone would be close on £2,300,000,000—or

£700,000,000 more than the income of the entire nation; whilst, if the ratio of wages to profits was as much as 1 to 3, the income of domestic origin created by the larger businesses alone would be £3,000,000,000—a sum which would exceed the whole home-produced income of the nation by very nearly £1,600,000,000. The same test which shows the absurdity of the current computations of the Socialists will substantiate the result which emerges from the computations in the present volume—at all events so far as to show that, as to profits and wages as a whole, it cannot from the nature of the case be substantially out of accord with facts.

With regard to the Socialistic theory that the exchangeable values of commodities depends on the number of labour-hours embodied in them during the process of manufacture, detailed evidence has recently become accessible, which, quite apart from any general reasoning, shows that the Socialistic doctrine is altogether at variance with fact.

While these pages were in preparation a new departure was taken, in the way of statistics, by the Government. A "Census of Production," published in instalments, has been initiated, which is dealing seriatim with the principal productive industries of the country. In the case of each industry the "Census" sets forth: (1) the total selling value of the output of commodities at the works; (2) the cost of materials, as paid for out of the employers' pockets; (3) the net total

remaining, which represents the value added to the purchased material, by the process of converting it into finished and saleable commodities; (4) the number of persons employed.

The net total for each industry forms the sum out of which comes the profits of the employers, or owners; the wages and salaries of the employed, rates, taxes, depreciation, insurance, &c.—in fact all expenditure other than the cost of materials.

In the "Census" thus far no attempt has been made to discriminate the employers' profits from these various outgoings; though in one case—that of mines—the income-tax returns enable us to see that profits and royalties combined can hardly be more than one-fifth of the total that is spent in wages. But the "Census of Production," though its information is here defective, provides us with a specific refutation of the celebrated Marxian doctrine according to which the value which the process of manufacture adds to that of the raw materials of which any finished commodity is composed is determined by the number of labour-hours which the process of manufacture represents. Were this doctrine true, then, the raw materials being given, the value of all manufactured commodities, no matter of what kind, produced in the course of a year, would be proportionate to the number of employés engaged in the task of manufacturing them; or, in other words, the net value produced per head of the employés would in all cases be equal.

The following table, compiled from the "Census"

volumes, as thus far published, shows, in the case of twenty-five different industries, how far this theory, which is the basis of Marxian Socialism, is correct.

TABLE XXXI.

| | A | B | C |
|---|---|---|---|
| Ink and gum | £318 | 97 | 99 |
| Paint and colours | £198 | 85 | 92 |
| Oil | £192 | 97 | 99 |
| Chemicals | £185 | 80 | 89 |
| Seed-crushing | £174 | 98 | 100 |
| Fertilisers | £160 | 89 | 92 |
| Soap and candles | £156 | 60 | 77 |
| Leather | £133 | 90 | 96 |
| Mines | £129 | 91 | 99 |
| Ironworks | £118 | 90 | 99 |
| Cycles | £115 | 81 | 90 |
| Paper | £113 | 57 | 70 |
| Engineering | £108 | 82 | 90 |
| Tin-plate | £101 | 70 | 89 |
| Bleaching | £101 | 72 | 84 |
| Lace | £98 | 33 | 48 |
| Ship-building | £96 | 90 | 100 |
| Matches | £96 | 24 | 30 |
| Cotton | £82 | 28 | 38 |
| Bricks | £80 | 83 | 94 |
| Woollen | £76 | 40 | 43 |
| China | £68 | 56 | 57 |
| Hosiery | £62 | 20 | 24 |
| Jute | £61 | 25 | 31 |
| Silk | £55 | 25 | 31 |

Column A shows the value per head of employed persons by the process of converting purchased materials into finished products.

Column B shows the percentage of males employed over eighteen years of age, or, in the case of mines, over sixteen years.

Column C shows the percentage of employed males of all ages.

The extraordinary difference in the values produced per head of the employees (these values ranging, as they do, from £318 to £55) have evidently some rough, but very irregular, connection with the amount of adult male labour, and more particularly male labour as a whole, as compared with that of women, and others under eighteen years of age, or (in the case of mines) under sixteen. But, all allowance being made for this varying factor, differences remain of which it affords no explanation. Let us take seven industries in which the proportion of males is highest—namely ink, colours, seed-crushing, leather, mines, iron-works, and ship-building. In all these industries alike the proportion of male labour employed is 92 per cent., or upwards, of the whole ; and yet the value which manufacture adds to the raw materials varies from £318 per head of the employees, as in the case of ink, down to £96 per head, as in the case of ship-building. Again, in the match trade the added value per head equals that added in the case of ship-building, being £96 likewise, and yet the male employees in the latter case are as nearly as possible 100 per cent. of the whole, and in the former not more than 30. In the china trade the percentage of male employees is 57. The added value per head is £68. In the lace trade the percentage is not more than 48, yet the added value per head is only just short of £100.

## SUB-SECTION VI

## A COMPARISON OF CERTAIN OF THE DETAILED ESTIMATES GIVEN IN THIS VOLUME WITH CORRESPONDING ESTIMATES REACHED BY OTHER STATISTICIANS USING INDEPENDENT METHODS

### § 94. Certain estimates of Sir H. Primrose and Mr. Bowley

The computations in this volume in so far as they are mere estimates—that is to say, in so far as they are based on inferences and probabilities, as distinct from direct official statistics, have been worked out with intentional and scrupulous disregard to any corresponding estimates worked out by other investigators. This course has been pursued for the reason that the best test we can find of the approximate accuracy of such estimates is the extent of the agreement between them; for, if different methods of investigation lead to similar results, the evidence in favour of such results is multiplied.

Attention is therefore called to the following computations in particular, in which the element of estimate plays a more or less important part.

(1) The aggregate income of the class having incomes of more than £5000. This is here given as £133,000,000. A minute consideration of the number and values of the largest and most valuable houses played a large part in the working-out of the above figures. This figure differs by not more than 9 per cent. from that arrived at by Sir H. Primrose, arguing mainly from the

amount of property annually changing hand at death.

(2) Aggregate income of the class having incomes between £700 and £5000. The estimate here given of the aggregate income of this class is £267,000,000, based partly on an analysis of houses, and partly on a subsequent analysis of earnings and incomes from property between the amounts in question. The estimate of Sir H. Primrose is just over £300,000,000; but if all the incomes over £700 are taken together, the differences between the two totals—that given here, and that given by Sir H. Primrose—differ only by 7 per cent.

(3) Aggregate income of the class having incomes between £160 and £700. As has been observed already, the main divergence of the estimates in this volume between that of Sir H. Primrose and also that of Mr. Bowley relates to the aggregate income of this class and the number of families of which the class is composed. Our own estimate is 50 per cent. higher than that given by either of them. The basis of this higher estimate, namely, the evidence afforded by the number of houses exceeding a certain value, has already been explained at length. The lower estimates were based on the number of abatements claimed, and certain assumed ratios between the number claimed and the number of persons who might have been claimants had they chosen to be so. Both Sir H. Primrose and Mr. Bowley, however, admit that the number of these last may

very possibly be much greater than that which, for purposes of argument, has been assumed by them ; and Mr. Bowley, in particular, in a paper submitted by him to the Select Committee on Income-tax, admitted that a figure not far from that which is given here is not an impossible one when the entire circumstances of the case are considered.

### § 95. The recent estimates of Mr. Ireson

(4) Incomes under £160. The latest inquiry into the distribution of wealth in this country is that of Mr. Ireson ("The People's Progress," Murray, 1910). Mr. Ireson estimates the number of persons per family at 4½ instead of 5, which is the number adopted here for reasons which have been explained already. This in itself makes some of his figures differ by about 11 per cent. from our own. Moreover, in his summaries he groups the artisan class and the lower middle class together. But the ultimate result of his computations agrees almost exactly with those emerging from our own analyses. The total income of the labouring and non-assessed middle classes he gives as £1,022,000,000. Our own computations (*see* Table VIII.) is £1,063,000,000. The average income per family of the skilled labourers and the lower middle class combined he gives as £124, taking a family to be 4½ persons. The estimates here given, if grouped in the same way, give an average family income of about £134,

the family group being taken to consist of five persons. This difference being allowed for, the two results coincide.

### § 96. Certain conclusions summarised by Sir. R. Giffen

Let us now turn to certain of the groups of earners (*see* Table XXIII.), and compare the results which emerge from our estimates as there given with the summaries relating inferentially to the same groups as given by Sir R. Giffen in 1902.

(5) What the nation spends on education. The larger part of this sum consists of the salaries of teachers. The salaries of teachers are given in Table XXIII as £27,000,000. The total cost of education Sir R. Giffen puts at £30,000,000.

(6) " Cost of distribution." By " distribution " Sir R. Giffen means apparently the total receipts of all shopkeepers, innkeepers, and other purveyors from the public, minus the cost of the various commodities supplied. He means, that is to say, the profits of these traders together with the wages and salaries of those employed by them. This sum he estimates at £200,000,000. According to our own computations (Table XXIII) there are some 350,000 small traders of this kind, many of whom will employ no hired labour at all, being assisted by members of their own families. We may take the average number of paid employees as one per trader, and the aggregate

earnings of these as £17,000,000. There are, according to our computations in the same Table, some 200,000 larger traders carrying on similar businesses. The average number of employees in this group will probably be five per business, and their aggregate earnings about £65,000,000. These two sums together will come to £82,000,000.* The profits of both groups, as given in Table XXIII., amount to £121,000,000. Thus wages and profits together will come to about £200,000,000. —a sum corresponding with that given by Sir R. Giffen.

(7) Literature, amusements, Church and other professions.—With literary, artistic, and professional services to society Sir R. Giffen associates not very appropriately those rendered by domestic servants; and the entire cost of such services he estimates at £170,000,000. If we deduct the cost (board and lodging included) of the servants, we get a residue of £90,000,000 as the aggregate earnings of the literary and professional classes. This corresponds almost exactly with our own estimates in Table XXIII., according to which (*see* items vi and ix in that table) the aggregate earnings of these classes would be £75,000,000.

* The ratio of wages to profits in the smaller distributive businesses will naturally be entirely different from that which prevails in the case of manufactures. A small shopkeeper employing one assistant at £50 a year will certainly make more than £50 a year himself. Being a co-worker with his employee, he will receive a double remuneration, the wages of labour as well as the wages of management.

# SECTION VI

## REVIEWS AND SUMMARIES

### SUB-SECTION I

### § 97. Degrees of accuracy possible in statistics of the present kind

It now remains for us to reconsider and summarise the general conclusions deducible from the series of analyses, estimates, and definitely authenticated figures of which the bulk of this volume is composed. And here it is necessary to repeat and amplify the explanations and warnings which formed the preface to our inquiries. These explanations and warnings referred to the degree and the significance of such accuracy as the data at our disposal rendered it possible for us to attain and the nature of our subject renders susceptible of generalised or comprehensive statement.

Apart from the deficiency of direct and definite evidences as to a great variety of details, conclusions which would be accurate in respect of all individual cases are impossible for this reason—namely, that it is impossible, in dealing with the production and distribution of wealth to state the facts in terms of a house-to-house visitation. It

is absolutely necessary to divide the population into groups, the members of which, whether we take them as families or individuals, will be approximately similar in circumstances, but approximately similar only. They will all be within a certain distance from some common point, though possibly this point may be exactly touched by none of them.

### § 98. The family as the assumed unit in computing the distribution of incomes

This observation has an important bearing on a question which arises out of a method of computation pursued throughout this volume. In estimating the distribution of incomes, the unit taken has been generally, not the individual, but the family. Now it is perfectly open to any critic to object that, though the family group is the practical unit in most cases, in many others it is not—that in many cases earners here assumed to be receiving a jointly earned household income of (say) £180 a year, are really living apart, one subsisting on £80, one on £60, and a third on £40. All that can be said in answer to this argument, and all that need be said, is that, in formulating any estimate as to the practical distribution of wealth, the family or household unit brings us nearer to the truth than any other.* If we take the income per adult, most of the adults

* If we merely wish to show how any group, occupying the same status and performing the same functions (*e.g.*, agricultural labourers) but increasing or decreasing in numbers, is getting richer or poorer

are married. If we take the income per head, a quarter of the population is under ten years of age; and the method of expression is not very illuminating which would in the case (say) of a man having £5,00 a year, a wife and three young children, describe his household as comprising five incomes of £1,000, three of which were monopolised by the occupants of the nursery cot and the perambulator.

### § 99. Inaccuracies due to defective data

The inaccuracies inherent in the very nature of systematised statistics of all kinds are supplemented by others of a wholly distinct origin—namely, those arising from the want of sufficient information as to a number of particular points. The information is not in its nature unattainable. The simple fact is that at present we do not happen to have it. For example, if we take the class of salaried functionaries who are assessed, we know their exact number, and amounts of their respective incomes; but in the case of the persons who are grouped in the Census Reports under such designations as "agents," "persons connected with music, the drama, amusements, &c.," we have to analyse the constitution of such groups by means of probable hypotheses, and treat their earnings in the same way.

at one time than it was at another, the income *per head* (babies included) will be as good an index as any other. It will, perhaps, be the most convenient one; but it will hardly ever suggest the actual circumstances of any portion of the group.

**§ 100. Estimates cease to be mere guesses in proportion as their range is limited by known facts**

The general nature of our task may, in short, be symbolised thus. We have a room of given dimensions, corresponding to our general knowledge of the amount of the national income ; and we have also a collection of variously coloured tiles (corresponding to the various parts of the population and their respective incomes), which tiles would, if *none were missing*, make a pictorial pavement covering the entire room. But when, like the fragments of a puzzle, we have fitted together all that we can find in what, from their shape and colour, we see to be their true order, we have a large number of vacant spaces left, which are definite indeed as to shape and area, but for which no tiles are forthcoming, and which we have to fill up by hypothesis, in the most reasonable way we can. As to the precise details of our hypothesis, there may often be several alternatives, each of which would conceivably meet the needs of the occasion. If a square space was left vacant for example, we might fill it up hypothetically by two triangles or by four small squares. Here any hypothesis we may select may well be wrong as to its details. Its limits of possible error will, however, be restricted by the limits of the gap which it is invoked to fill; and when our arrangement of such parts as are at our disposal is complete, we shall get a pattern or picture which, in its main outlines and configurations, will be correct.

A general accuracy of this kind is all that can be claimed for the computations in the present volume; and it is in the light of this fact that we will now summarise and review them—annotating them with such general criticisms as each aspect of our subject, when thus considered, demands.

## SUB-SECTION II

## THE NATIONAL INCOME AND ITS DISTRIBUTION FROM FOUR POINTS OF VIEW

### § 101. The mere distribution of capital no index of the practical distribution of wealth

Certain persons, in discussing the distribution of wealth endeavour to identify it with the distribution of capital; and, basing their argument on statistics relating to the distribution of capital, endeavour to excite the feelings of a large portion of the population by declaring that three-fourths—or some overwhelming proportion of the entire "wealth" of the country is owned by one-thirtieth of the population or some other insignificant fraction.

This argument is plausible in the eyes of the unreflecting. Otherwise, so false is it that we could afford to dismiss it as peurile.

To possess capital is not to possess wealth at all, except in so far as what is possessed yields an income to those possessing it. As a rule the possession of it does yield an income to the possessors: and in many cases an income which

will support them without their peforming any concurrent work in return for it. But if only all the capital in the country, or (as this argument suggests) all the *wealth* in the country, were distributed in equal portions amongst all, it must be obvious to the meanest capacity that the magic power of yielding income to anybody without work would disappear from "wealth," in the form of capital, altogether. If the entire income in this country which can be ear-marked as derived from capital were distributed in equal portions amongst the entire population to-morrow, the theoretical addition to the incomes of families with less than £700 a year would be under £4 per head: * but, as a matter of fact, unless the mass of the population continued to work daily, the possession of this distributed capital would yield them no income whatsoever. About 95 per cent. of their incomes, unless they were willing to put up with incomes indefinitely diminished, would have to be worked for *and* earned precisely as it is earned now. Such being the case, so far as the community as a whole is concerned, the distribution of capital is an almost negligible fact as an index of the distribution of wealth. A man is wealthy or not wealthy in proportion to his spendable income, or, in other words, in proportion to the effective demand which his income enables him to make for commodities and for personal services.

* That portion of the "unearned" income which now goes to the 170,000 families having more than £700 a year amounts, on an average, to about £1000 per family. If the same sum were divided amongst 8,600,000 families, there would for each family be less than £20,

The absurdity of supposing that the mere ossession of capital can give us any general indication of how wealth is really distributed can be seen by taking the case of two men, of whom one is a skilled mechanic who earns 40*s*. a week, and has £100 in a savings bank ; whilst the other is a cripple who is unable to earn anything, but to whom some friend or relation has left for his life £1,000 in consols. The wealth of the mechanic, which will year by year embody itself in so much food, drink, coals, clothing, and so forth, will be about £105 a year. That of the cripple will probably be about £35, which will likewise translate itself into commodities similar in kind, but only one-third in quantity. If we take the possession of capital as an index of the respective wealth of these two men, the cripple will be exactly ten times as rich as the mechanic. In the only sense of the word in which " wealth " has any general meaning, it is obvious that the mechanic will be three times as rich as the cripple. If the mechanic lost all his savings except £1, he would still have his wages ; and in that case, if capital be taken as the measure of wealth, a result will ensue which is more extraordinary still. The man whose income is only £35 a year will be a thousand times as rich as the man whose income, despite his loss, has not fallen below £100.

### § 102. Four points of view from which the distribution of the national income may be considered

Having then disposed of the doctrine that the distribution of capital is, in relation to the community as a whole, any index of the effective distribution of wealth, let us address ourselves to the question of the distribution of the national income, as shown by the various analyses set forth in the preceding pages.

The national income, as has been said, may be considered from four points of view, according to the particular questions with regard to which we desire an answer.

(1) The first of these questions is indicated, though not exhausted, by the crude form which it assumes as currently put by Socialists—namely, "How much of the national income goes to labour, and how much of it, under the name of interest, goes to capital?" This question relates to general economic principles.

(2) The second question relates, not to underlying principles, but to, *de facto*, results. It ignores the origin of incomes, and is concerned merely with their amounts, and the numerical magnitude of the groups of persons or families amongst which incomes within such and such limits are distributed.

(3) The third question, though implied in both of the above, is one which requires to be put and considered separately. It relates to the condition of the poorest stratum of the population

as compared with that of the more prosperous classes.

(4) The three preceding questions are concerned with things as they are—with things considered as being approximately in a state of rest. The fourth question is concerned with the direction in which they tend to develop themselves, in respect both of the number and the circumstance of each group of the population.

## SUB-SECTION III

## THE NATIONAL INCOME RE-EXAMINED, WITH REGARD TO THE MANNER IN WHICH THE VARIOUS PORTIONS OF IT ORIGINATE

### § 103. Restatement of previous observations as to income of foreign origin

When the national income is discussed, statisticians of all schools have hitherto been accustomed to consider it in the same way—namely as the income which year by year is distributed amongst the inhabitants of the United Kingdom; and, when what concerns us is the details of its distribution only, we are, no doubt, concerned with this insular income alone. When, however, we connect the question of the insular distribution of the income with the question of how the various parts of which the whole is composed originate, how much is produced by the efforts of one class, how much is produced by the efforts of another, and how much of the product is received by the

various classes of producers, then let it be said once more to take our insular income and our insular efforts as a self-contained unit is entirely to omit one essential factor in the case, and thus to present the others in seriously wrong proportions. The income of foreign origin which comes into this country from enterprises prosecuted abroad, which is for the most part spent in this country, which goes to swell the amount annually assessed to income-tax, and which is estimated to constitute now from 20 to 25 per cent. of it, is an income which, if we confine ourselves to our own insular population, has no origin at all. It descends on these islands miraculously like Jupiter in a shower of gold.

Let us imagine a watering-place consisting solely of villas built by South African millionaires, and of the shops and other houses of those who supply them with articles of consumption, look after their gardens, and keep their villas in repair. The income of such a watering-place might be enormous, but of those efforts which primarily produced that income it would contain no trace. Let the millionaires who make it their occasional residence neglect or mismanage their business in South Africa, and the entire income of this English town will cease. To attempt to explain its existence by reference only to enterprise or labour prosecuted within the limits of the town itself would be like trying to explain the income of the guests at the Ritz Hotel by reference to the services of the

waiters, the cooks, and the little boys in buttons. After crediting this country with the efforts and the profits of the efforts made in other countries by *capitalists who spend their profits here*, we must go outside this country for the labour of those employed by them—persons whose wages, if they happen to be earned in South Africa, are no more separable from the total of which profits form one part than they would be if they were earned in Manchester while the profits were spent in Eccles.

If, therefore, we wish to ascertain how much of the income—about £1,750,000,000—which is distributed amongst the inhabitants of the United Kingdom goes to this or that class of producers, or "how much goes to labour and how much to capital," we must include in our computations what goes to "labour" abroad, just as we must include what goes to "labour" at home. There is, however, an alternative way in which this fact may be allowed for. Instead of adding to our total the wages of foreign labour, we may deduct from our total all profits of foreign origin. So far as proportions are concerned, these two methods will lead to the same result; and one or the other may be used according to the requirements of the occasion.

### § 104. Workers, other than manual, no less essential to the wealth of the community than the manual

So much having been reasserted with regard to this neglected point, let us now return to the analyses set forth in the preceding pages, and, without insisting on the exactitude of all their details, consider the general conclusions to which they unmistakably point with regard to the manner in which the national income is produced and distributed amongst the various groups engaged or not engaged in its production.

According to the cruder doctrines of Socialism, as represented by Mr. Hyndman and his allies, the population is economically divided into two sections only—the manual labourers who produce everything, and others who take most of the products, but produce absolutely nothing, their lives being spent in idleness, or else in active plunder. But, even according to the principles which such persons profess, it is evident, the moment they attempt to translate them into any practical programme, that this analysis of society into labourers and useless plunderers is entirely inconsistent with their own avowed conceptions of what society would have to be if organised on a Socialistic basis.

As a typical example of Socialism, Karl Marx adduced the post-office. But the post-office is, in the first place, not a productive organisation at all. It merely distributes letters which have been

produced by private individuals. In the second place, being an organisation, it requires to be most highly organised; and its organisation must be the work of men who are not manual labourers, but organisers. And what is true of a distributive organisation like the post-office is equally true of every productive business likewise. There must be an organising staff, and also there must be a great clerical staff. Even if the prosecution of mere "hand-labour" alone, as Mr. Hyndman calls it, were the sole human factor involved in the direct process of maintaining and increasing the wealth of the modern world, the indirect action of organisers, clerks, and other officials would be no less essential than the operations of labour itself.

This, however, is not all. Mr. Hyndman himself admits that the increased productive powers which he attributes to manual labour, are themselves due to scientific invention and discovery, but these, he hastens on to observe, "are obviously a social process." Let him use the phrase if he likes; but even if the process be a social one, it can only be carried out through the agency of certain members of society, who are certainly not to be found at every street corner. They have work to do which is essential to the productivity of manual labour, but which is something quite distinct from manual labour itself.

Farther, it is to be observed that under the strictest Marxian Socialism people would be liable

to sickness, to breakage of their limbs, and the dangerous vicissitudes of childbirth. It is evident, therefore, that even in the Marxian Utopia doctors would be a class as essential to the general welfare as mechanics.

Again, even Mr. Hyndman would not deny the necessity of some sort of education, therefore in addition to the labourers, an army of trained teachers would be necessary. It is true that many Socialists identify Socialism with atheism: but for those who do not, another necessary class will be teachers and ministers of religion. Yet again, if the Marxian Utopia is not to be a Utopia of savages, some sort of literature will be required by it, and a class that produces literature; whilst if the inhabitants are to have any music or amusements, a further class will be necessary which will provide them with these amenities. All these classes would aid in the production of the national wealth no less truly than the men who hand up bricks to bricklayers. It would be impossible, therefore, on any conceivable theory, to attribute the wealth of any civilised nation to manual labour alone.

### § 105. The distinctive feature of the modern industrial system as emphasised by Socialists

It is, however, true that those material commodities, in the production of which manual labour must always play a fundamental part, form the physical basis on which the other kinds of wealth

rest, and will, as estimated by any economic standard, constitute the larger part of the income of any nation. We will, therefore, consider this, the industrial and the commercial part, first.

With regard to this, Socialists have brought one fact into prominence which, though they have exaggerated its proportions, is at once true and important. However absurd may be their doctrine, that the employing classes produce nothing, and that the wage-paid employees produce everything, Socialists are right in saying that one of the most distinctive features of the modern system of industry is the separation of these two groups. In times preceding the development of our great modern businesses, the majority of the productive trades and distributive trades also were relatively small concerns. Much of the work was carried on by independent individuals (such as the old hand-loom weavers), or by masters who, however superior in skill or talent to the few men employed by them, worked side by side with them at tasks of the same kind: and, though large businesses, in which the employers are sharply differentiated from the employed, are institutions far more ancient than Socialists are accustomed to admit, their multiplication and enlargement during the past century and a half, which has made them to-day the typical form of wealth-producing activity, constitutes them the distinctive feature of the modern economic world. Even now, however, as we shall see presently, it does not by any means cover the whole ground.

and salaried employees working in the United Kingdom.

Now, as to certain of these employees—about 450,000 in number—whose salaries are assessed to income-tax, we know definitely what their aggregate income is. In round numbers it amounts to £90,000,000. If we add to wages and salaries which are non-assessed, we get a total, as has been shown in the preceding pages, which amounts to about £1,100,000,000. This is the general conclusion to which all methods of investigation have led those who have devoted themselves to the investigation of the matter. Mr. Money would reduce the total by something like 10 per cent.; but even were this reduction, for argument's sake, admitted, it would not, for our present purpose, seriously affect the case.

The outstanding facts, stated broadly, are these. We have £200,000,000 as employers' profits and as dividends on the one hand, and about £1,100,000,000, as paid in wages and salaries to employees in the United Kingdom on the other; and we want to see how the business income of the former is, in respect of proportion, related to that of the latter. From the income of the employees, however, we must, before we institute our comparison, deduct the wages paid by farmers who are not at the present moment included in the employing class. We must deduct also the income of domestic servants and the salaries of Government employees. The employees of the farmers—*i.e.* the agricultural labourers—number just under

1,200,000. Their aggregate earnings we may take as about £48,000,000, and those of domestic servants as about £70,000,000, and those of the Government employees as £50,000,000. Deducting these two amounts from the total earnings—namely, £1,100,000,000—of the business employees of the United Kingdom, we get a sum of about £930,000,000 for the wages and salaries which correspond to business profits and dividends, these last amounting to about £200,000,000.

### § 108. Absurdity of the Socialistic estimate when tested by facts and possibilities

The broad conclusion, then, which thus emerges is this : that, business profits and dividends being taken as a whole, and the employees' income, which corresponds to it, being taken as a whole likewise, the wages and salaries of the employed classes are about four and a half times as great as the profits and dividends of the employing classes.

We are not inquiring here into the detailed distribution of either of these sums. We are simply, in accordance with the principles explained in our opening observations, treating each of the two groups in question as a separate nation, and considering how much goes to each.

So far as our main purpose is concerned, this is all that is requisite ; for the main errors which it is here desired to rectify are errors embodied in conclusions equally general—namely those which are currently put forward by Socialists to the effect that for every £1,000,000 which the

employing class pays to the employed class the former takes some £3,000,000, or (if we are to trust Mr. Hyndman) £3,300,000 for itself. Our own figures, even if regarded as mere rough approximations to the truth, are sufficient to show that these Socialistic estimates are not merely fallacies, but fallacies which are impossible to a grotesque degree.

We may test them by applying them to known facts in two ways. In the first place we may start with profits and dividends of domestic origin. These amounting to about £200,000,000, the income of the employed classes in this country, corresponding to them, cannot, if the Socialists be correct, exceed some £67,000,000, which does not amount to one-tenth of the total assigned to them by Mr. Money, and is less by some £23,000,000 than the assessed income of the salaried employees alone.

In the second place, we may test the Socialistic estimate by starting with the amount of wages and salaries as detailed investigation shows this to be. Even if we took the amount at the minimum which Mr. Money suggests—and this would come to something like £760,000,000—the business profits and dividends assessed under Schedule D could not, according to the most modest computations of the Socialists, be less than £2,000,000,000, whilst the national income as a whole would not be far short of £3,000,000,000, exclusive of the rents of agricultural lands, sites, houses, the earnings of

professional men, and the salaries of the functionaries of the Government. Socialists themselves are constantly adopting the current estimate, which puts the national income at something between £1,700,000,000 and £1,750,000,000.

Compared, then, with the doctrines which Socialists are doing their best to popularise, our own estimate of the ratio of the business income of the employing classes as a whole to the corresponding business income of the employed classes as a whole is, if not mathematically exact, at all events substantially accurate. But more must be said for it than this. It is not only substantially accurate as a correction of a preposterous error; it also shows that this error is not merely an exaggeration of facts, but amounts to a direct inversion of them. It shows that, instead of "profits" being three times as great as wages, wages are, on the contrary, some four and a half times as great as profits.

### § 109. General facts as to wages and profits analysed farther

And now, passing from this general proposition, let us do our best to go somewhat further into details. Out of an aggregate of profits and dividends of domestic origin (Schedule D) amounting to about £200,000,000, it has been seen that, according to our computations, about £160,000,000 is derived from the larger businesses—*i.e.* businesses yielding profits which exceed £700 a year. We are thus left with a residue of assessed profits

employing class pays to the employed class the former takes some £3,000,000, or (if we are to trust Mr. Hyndman) £3,300,000 for itself. Our own figures, even if regarded as mere rough approximations to the truth, are sufficient to show that these Socialistic estimates are not merely fallacies, but fallacies which are impossible to a grotesque degree.

We may test them by applying them to known facts in two ways. In the first place we may start with profits and dividends of domestic origin. These amounting to about £200,000,000, the income of the employed classes in this country, corresponding to them, cannot, if the Socialists be correct, exceed some £67,000,000, which does not amount to one-tenth of the total assigned to them by Mr. Money, and is less by some £23,000,000 than the assessed income of the salaried employees alone.

In the second place, we may test the Socialistic estimate by starting with the amount of wages and salaries as detailed investigation shows this to be. Even if we took the amount at the minimum which Mr. Money suggests—and this would come to something like £760,000,000—the business profits and dividends assessed under Schedule D could not, according to the most modest computations of the Socialists, be less than £2,000,000,000, whilst the national income as a whole would not be far short of £3,000,000,000, exclusive of the rents of agricultural lands, sites, houses, the earnings of

professional men, and the salaries of the functionaries of the Government. Socialists themselves are constantly adopting the current estimate, which puts the national income at something between £1,700,000,000 and £1,750,000,000.

Compared, then, with the doctrines which Socialists are doing their best to popularise, our own estimate of the ratio of the business income of the employing classes as a whole to the corresponding business income of the employed classes as a whole is, if not mathematically exact, at all events substantially accurate. But more must be said for it than this. It is not only substantially accurate as a correction of a preposterous error; it also shows that this error is not merely an exaggeration of facts, but amounts to a direct inversion of them. It shows that, instead of "profits" being three times as great as wages, wages are, on the contrary, some four and a half times as great as profits.

### § 109. General facts as to wages and profits analysed farther

And now, passing from this general proposition, let us do our best to go somewhat further into details. Out of an aggregate of profits and dividends of domestic origin (Schedule D) amounting to about £200,000,000, it has been seen that, according to our computations, about £160,000,000 is derived from the larger businesses—*i.e.* businesses yielding profits which exceed £700 a year. We are thus left with a residue of assessed profits

amounting to about £40,000,000, which still remains to be accounted for. We are left also with another sum corresponding to this, which we have thus far assumed to consist chiefly of wages and salaries. Out of a total of wages and salaries computed to amount to £1,100,000,000, the earnings of the agricultural labourers, domestics, and Government employees will, as we have seen, account for some £170,000,000. To this we must now add about £720,000,000 for the wages corresponding to the profits of the larger businesses —this sum representing £160,000,000 (for profits) multiplied by four and a half. The total we may put down, roughly, as £900,000,000. What remains to be accounted for in the way of wages and salaries (according to our rough assumption) will be accordingly about £200,000,000.

The above figures are briefly summarised in the table on opposite page.

The lower portion of this synopsis deals, it will be seen, with the profits of professional persons who employ no labour, and of the smaller employers, who employ but little, and with such wages or salaries as correspond to the profits of these last. With regard to the farming class, the case is fairly clear. When we speak of such professions as the clerical, the legal, and the medical, we also possess a certain amount of specific evidence ; but when we speak of professions in the more extended use of the word, and include in them persons connected with literature, science, art, music, and the drama, we have little to guide us so far as numbers

and earnings are concerned, beyond the limits of possibility, which are very far from being indefinite, whilst, with regard to "business profits not yet accounted for," we have indeed given in Table XX the approximate number of small shopkeepers, and the actual number of small innkeepers, and

TABLE XXXII

| | |
|---|---|
| Business profits, Schedule D, exclusive of profits of foreign origin, and of all professional and quasi-professional earnings: £200,000,000. | Wages and salaries of employees in United Kingdom, after deducting those of domestic servants and agricultural labourers, etc., from a total of £1,100,000,000: £930,000,000. |
| Business profits, Schedule D, of the larger employers: £160,000,000. | Corresponding wages and salaries (amount of profits multiplied by 4½): £720,000,000. |
| Profits (Schedule D) other than foreign, not included in those of the larger businesses:<br>Professional and quasi-professional, £60,000,000.<br>Business profits not yet accounted for, £40,000,000. | Wages corresponding to profits of miscellaneous small employers, Schedule D: £200,000,000. |
| Profits of farmers, Schedule B:<br>Farmers farming more than 70 acres, £30,000,000.<br>Small farmers, £20,000,000. | Wages of agricultural labourers, corresponding to farmers' profits: £48,000,000. |

certain keepers of lodgings; but a large number of unidentified earners must remain—some of them, like the smaller farmers, only half distinguishable from labourers. The total amount, and the grouping of such incomes as are assessed, or reviewed for purposes of assessment under Schedule D, will allow for this composite class, a

total income of nearly £50,000,000; and when we consider the number of small tradesmen, of lodging-house keepers, not specified as such in the Inland Revenue Reports, &c. &c., the total income earned by this group can hardly be less than £80,000,000. The wages of employees, which correspond to the profits of this group, will amount approximately to £200,000,000; but, since many of the small employers will be practically fellow-workers with their employees, "profits" will hence bear a larger proportion to wages than obtains in the larger businesses, where the functions of employers and employed are altogether differentiated. For example, if a small employer employs three men at £60 a year (thus spending in wages £180 a year, his own earnings may very well be £100, for in addition to some £40 (say) which may represent his profits as manager, he may very well be earning himself £60 as a fourth workman. The same observation applies to most farmers except the largest.

### § 110. Large businesses, small businesses, professions, domestic servants

We shall, on the whole, be representing facts most correctly if we group the larger farmers with the larger business employers, and the smaller farmers with the smaller business employers, and group the wages corresponding to their profits accordingly: whilst such earnings as we have here called professional, will be grouped most logically with those of the school teachers, the

earnings of the whole body being called the intellectual income of the country, as contrasted broadly with the commercial and industrial, or, as we have here called it, the business income.

If this classification be adopted, the "earned" income as a whole will resolve itself into the following parts :

TABLE XXXIII

| | *Industrial and commercial, or business incomes.* | | Earnings of corresponding employers. |
|---|---|---|---|
| | *Profits of large employers* | | |
| Larger businesses | Profits of larger businesses (industrial and commercial) . . . | £160,000,000 | £720,000,000 |
| | Profits of larger farmers . | £30,000,000 | £40,000,000 |
| | *Profits of smaller businesses* | | |
| Smaller businesses | Miscellaneous : Assessed . £45,000,000 / Non-assessed £35,000,000 | £80,000,000 | £160,000,000 |
| | Smaller farmers . . | £20,000,000 | £8,000,000 |
| | *Intellectual incomes* | | |
| | Professions . . . | £60,000,000 | No corresponding employees |
| | Teachers . . . | £30,000,000 | |
| | *Domestic service* | | |
| | Add for domestic servants | | £70,000,000 |
| | Totals . . . | £380,000,000 | £998,000,000 |

We thus get a total of earnings amounting, in round numbers, to £1,380,000,000. These figures, it must be remembered, relate only to earnings of domestic origin, and exclude all profits derived from enterprises prosecuted abroad. The national income, as commonly estimated, being about £1,750,000,000 (foreign income included) will

consequently be reduced, if the foreign income is deducted, to something not much in excess of £1,610,000,000. The domestic earnings, as given in the above table, amounting to about £1,380,000,000, the residue, which has still to be accounted for, will amount to about £240,000,000. This sum will be almost exactly made up by the rents of agricultural land, building-sites, and buildings, by interest on Government Stock (British), and by the profits of the financiers, which last (amounting to about £26,000,000) have been omitted in the foregoing table. They have been omitted because, though the conduct of financial business necessitates, no doubt, a considerable staff of employees, the profits of the business are dependent in such a way on the sagacity of those conducting it that they bear no such relation as they do bear in the case (say) of a great manufacturer to the number of those employed.

### § 111. Short summaries

If we analyse the foregoing figures farther, the following broad facts emerge.

The productive and distributive businesses of the United Kingdom (foreign business and domestic service excluded) represent a total income of about £1,220,000,000, of which more than three-fourths—or £950,000,000—is due to those larger businesses, in which the functions of employers and employed exhibit a complete separation, and which represent, as Socialists rightly say, the

distinctive features of modern capitalistic enterprise. The remaining portion—something less than a fourth, and amounting to something like £270,000,000—is due to businesses conducted on a smaller scale, in which the function of employers and employed are more or less nearly assimilated, and which represent the persistence and continued vitality of a system which, according to the theories of Socialism, has been long ago crushed out.

In the smaller businesses the ratio of profits to the wages of labour is complicated by the fact that the employers to a large extent are themselves labourers also.* This observation applies to many even of the larger farmers.

In the larger businesses, which represent the most modern features of capitalism, the wages and salaries of the employed are about four-and-a-half times as great as the profits of employers and owners.

That portion of the profits of domestic origin which is commonly called "unearned" amounts to 12 or 13 per cent. of the entire income of domestic origin. Of this nearly half goes to persons with less than £700 a year.

If in this national income we include the incomes of foreign origin (as, from certain points of view,

* In an article on Social Progress in one of the later volumes of the "Encyclopædia Britannica," this fact with regard to the smaller industries of the country is specially emphasised by the writer, though he does not mention in connection with it the conclusion deduced from it in the text. The number of small productive "workshops" in which no "power" is used is to-day more than double that of the great capitalistic factories. (Cd. 4664, p. 235.)

though not from others, we are bound to do) the intellectual income of the country is about 5 per cent. of the total. The income of the financiers is about 1½ per cent.

Finally, as to rent. The idea prevalent in the minds of extreme reformers, that the rent of land as such, whether agricultural or urban, forms a portion of the national income which, relatively to the whole, is either great or increasing, is altogether a delusion. It amounts approximately (apart from the rent of buildings) to about £80,000,000 a year, of which not more than a half goes to the class of persons whom Radicals have in view in their customary attacks on "landlords." Of the total spendable income produced or distributed in this country—nearly £1,750,000,000—the rent of land represents not so much as 5 per cent.; whilst the aggregate rents of the peers, the landed gentry, and all persons whom the widest courtesy could comprehend in the same class, would not amount to as much as 2½ per cent. To suppose that by placing some special taxation on the rents of all landowners indiscriminately the fiscal burdens of the community may be appreciably and increasingly lightened is like ear-marking one shilling out of every national guinea, as though that were a mine from which endless pence could be extracted. To suppose that such a result could be accomplished by specially taxing the rents of the larger landowners only would be applying a similar argument to five ear-marked pennies out of every national pound.

## SUB-SECTION IV

## THE NATIONAL INCOME RE-EXAMINED WITH REGARD TO THE DISTRIBUTION OF INCOMES GROUPED ACCORDING TO THEIR AMOUNT

### § 112. The distribution of capital no index of the distribution of incomes

The illusory character of all statements relating to the distribution of wealth which are based on estimates relating to the distribution of capital has already been pointed out. So far as the mere possession of capital is concerned, the entire capital of the country might be owned by a single individual, in which case the entire income would pass through this man's hands ; but the entire income would not be, for that reason, his own : for, if it were, no one else would have any income at all. Such a man could enjoy his income in no other way than by spending it. If he spent it by merely giving it away, getting nothing in return for what he gave, to say that the income was his own at all would be nonsense. If he gets a return in the form of some product or service (such as a picture by a great artist, or the performance of an opera or a play by great singers or actors), the incomes of these persons pass from his hands into theirs ; and they, in respect of all personal comforts and luxuries, may annually enjoy and consume a great deal more than he does. Like many men of great wealth, he may be a

very small eater, he may drink no wine, he may like old clothes better than new ones, and sleep in a bed which most poor men would despise. Meanwhile the painters and other artists who are paid by him may every day be regaling themselves on all the delicacies of the cellar and the season. They may rejoice in a constant succession of new coats and trousers, and may go to bed between curtains which would do credit to the Plaza Hotel. And what applies to a small and specially gifted class like artists, applies to mental and manual workers of all other kinds. If all the "wealth" of the country were owned nominally by one man, he could only enjoy or realise the resultant income by distributing in assorted portions which would, when thus distributed, be the incomes of other people.

### § 113. The individual amounts and numbers of a few great incomes irrelevant to the question of distribution of incomes generally

But, though this criticism applies primarily to those who would estimate the distribution of wealth by reference to the distribution of capital, it applies also to those who attach an exaggerated importance to certain facts relating to the distribution of incomes. Thus great importance is attached by Mr. Chiozza Money to the assertion that, according to his own computations, nearly one-third of the national income, or something over £500,000,000, goes to families representing not more than one-thirtieth of the population.

Now, quite apart from any question as to the accuracy of Mr. Money's figures, the point here to be noted is that, whereas the sensational character which he himself attributes to them depends mainly on the fewness of the families to whom the income in question is assigned by him, the number of this minority, from a financial point of view, is for the rest of the population a matter of complete indifference; or it would perhaps be more true to say that the smaller the number of persons amongst whom the total in question was divided, the position of the rest of the population would be not worse, but better; since more income-tax might, without unfairness, be extracted from a hundred men with incomes of £500,000 a year than from fifty thousand men with incomes of £1,000 a year.

From the facts, however, which have been set forth in the preceding pages, it will be seen that Mr. Money's figures require very great modification.

In the first place, if his point is that, regard being had to the population to whose efforts the national income is due, the amount which goes to our own richer classes is excessive, he must not compare his sum of £500,000,000 with the income received by the inhabitants of our own country only. He must add to this the wages and salaries of the various workers abroad, which correspond to that portion of this income which originates in foreign enterprise. If such wages and salaries are added, so as to make of the income in question a complete economic unit, then, as

we have seen already, this income in its integrity will, on the lowest computation, amount to £2,100,000,000, and the income of our own richer classes, if we accept Mr. Money's estimate, will not be one-third of the whole, but something less than one-fourth.

### § 114. Erroneous proportions assigned to the income of the richer classes

It will, however, have been seen from the various analyses in this volume, that Mr. Money's estimate of £500,000,000 as the aggregate income of families with more than £700 a year, exceeds the possible total by at least £100,000,000, the true total being about £400,000,000. According, then, to the facts as set forth in this volume, the income of the richer classes, as thus defined, is reduced from about one-third of the total to something less than one-fifth.

Such is the proportion if we include in our total income the earnings of the foreign employees. If, instead of including the income of the foreign employees, we deduct the foreign profits to which the earnings of these employees correspond, we shall have, in accordance with our previous analysis of "unearned" income and its distribution, to take about £80,000,000 from the income of the richer classes (reducing this from £400,000,000 to about £320,000,000), and about £55,000,000 from the income of the rest of the community, reducing this from £1,350,000,000 to something under £1,300,000,000. The proportion of each

sum to the total will not be hereby changed ; but by excluding the foreign employees whose number cannot be estimated, and confining ourselves to the inhabitants of the United Kingdom, we enable ourselves to speak in certain respects with a precision which otherwise would not be possible.

### § 115. Aggregate income (of domestic origin) going to families with more than £700 a year

If we mean by the richer classes all those families whose incomes are in excess of £700 a year, the population represented by them, according to our own computations, forms even a smaller fraction of the whole than that which emerges from the computations of Mr. Money. Instead of being one-thirtieth of the population it would not be so much as one-forty-third. It would consist of *less than* 200,000 *families*, whilst the rest of the population would comprise nearly 8,600,000. The income of domestic origin which is distributed amongst this small group being, as we have seen, about £320,000,000, the average income per family would be about £1,600. The income of domestic origin distributed amongst the rest of the population being, as we have seen likewise, about £1,300,000,000, the average income per family would be about £155. If, therefore, the case is stated correctly (in so far as it is capable of being stated in general terms) it comes to this—that the richer classes, in the widest sense of the term, consist of no more than one-forty-third of the nation ; and that the average family income

within the limits of this group is about ten times the average family income of the poorer classes, whilst it is about eight times the amount of what each family would receive were the entire domestic income divided equally amongst the population as a whole.

### § 116. Significance of the income of the richer classes measured by the theoretical results of its distribution

Now, when Mr. Money not only asserts as a fact that an aggregate income of such and such an amount goes to the classes having more than £700 a year, but lays on the assertion the kind of reiterated stress which he laid on it in the evidence tendered by him to the Select Committee on Income-tax, he is evidently implying something more than a mere statistical computation expresses; and his implication must evidently be, not only that the income in question reaches the amount which he assigns to it, but that this amount, as at present distributed, is excessive, and ought, by means of gradual taxation or otherwise to be reduced, so that what is taken from the present recipients may be handed over to others. It is, however, equally evident that, in thus segregating incomes which exceed the sum in question, he is not suggesting that their entire amount should be confiscated, but only those portions of them which are over and above that sum. In other words, he would—at least, this is what his implication comes to—leave the present recipients

£700 a year apiece, and let the State make a present to the nation at large of the remainder.

Let us consider what would practically be the net result of this procedure. The income of domestic origin at present enjoyed by the 200,000 families (or rather less) whose incomes individually exceed £700 a year, is, as we have seen already, about £320,000,000. If these incomes were all of them reduced to that minimum sum, the aggregate income remaining to them would be about £140,000,000 ; and the residue, left available for redistribution would be about £180,000,000. If this were distributed equally amongst 43,000,000 people (which in 1905 would have been the number of the rest of the population) the average bonus per head would amount to about four guineas. If, however, with regard to the incomes of the "rich," we are to judge what Mr. Money's actual opinions are, not from mere inferences drawn from a single line of argument, but from his opinions taken one with another, as stated by him to the Select Committee on Income-tax, the kind of procedure which he really has in his mind is considerably less sweeping than that which has been just suggested. The question was put to him by the committee of what he meant by the "rich" ; and when thus pressed, he gave the very sensible answer that (the matter being looked at from a popular point of view) men began to be "rich" when they had "a few thousands a year." Let us, then, suppose that the beginnings of iniquity are reached, not at the lower limit of

the classes having more than £700 a year, but at the lower limit of the classes who have more than £2,000. These comprise about 30,000 families. A maximum income of £2,000 being allowed to each, the aggregate income of the group would amount to about £60,000,000. The remainder, in so far as it was of domestic origin, would amount to about £100,000,000. If this were appropriated by the State, and made the subject of any general distribution, the annual bonus per head would amount to about £2 6*s*., and even this result would be attainable only on the impossible assumption that the productive efficiency of the community would not be in any way decreased by precluding any inventor or any master of commerce or industry, when once he had secured for himself so much as £2,000 a year, from receiving any farther pecuniary reward whatever, no matter what additions in the way of wages or otherwise his subsequent efforts might make to the general wealth of the country.

### § 117. The annual savings of the nation not distributable as income

These figures we may leave to speak for themselves, merely observing that the general moral to be drawn from them is that all the characteristics of " riches " as possessed by rich or comparatively rich men, would, in the act of distribution, disappear altogether, like those of a tumbler of brandy if poured into a barrel of water, even if the infusion did not, as it very certainly would do, evaporate

during the attempted transference of it from the first vessel to the second. It would evaporate not merely on account of the check to production which would result from an artificial restriction of the natural rewards of enterprise, but for another reason also, which, though not more important than this, is capable of being expressed with much greater precision. If, as the population increases, industry is to be increased likewise—as it must be if, relatively to the population, wealth is not to grow less and less—this result can be achieved only by saving; that is to say, by devoting a portion of income, not to the pleasures of consumption, but to the increasing and improvement of the mechanisms and other means of production. The annual savings of the country, in this sense of the word, are computed to be now not less than £200,000,000, of which appreciably more than half are made by that small minority comprehensively spoken of as "the rich." Whatever attempts at redistribution any sane statesmen might make, they could not distribute this for expenditure as private income. They might devote it to the extension of breweries, but they could not dole it out as beer. Thus the net result of any possible scheme of redistribution would be smaller even than that which the figures just given indicate. But this fact is so obvious and has been so frequently emphasised—the reader may be specially referred to "The People's Progress" by Mr. Ireson—that to dwell on it here any longer would be superfluous.

### § 118. Existing distribution of nearly eight-ninths of the national income

For the rest, if we consider the great mass of the population, as distinct from the small minority with incomes in excess of £2,000, whose aggregate income (foreign profits included) amounts, as we have seen, to about £200,000,000, the income of this mass amounts to about £1,550,000,000 out of a grand total of £1,750,000,000. Of this £1,550,000,000, about one-quarter, yielding an average of about £100 per family, goes to the poorer sections of the population, which constitute something more than one-third of the whole. Between one-seventh and one-eighth of this sum goes to a small minority, with incomes ranging from £700 a year to £2,000; whilst more than two-thirds—or about £950,000,000—goes in incomes which, estimated per family, range from about £120 to £700, these persons constituting more than half of the entire nation.

### § 119. The exceptional case of the non-progressive residuum

And here again we are brought back to the question of the very poor. If we merge our estimate of their incomes in an average for a larger class, the bulk of which, though poor comparatively, is prosperous in respect of the main essentials of life, the very existence of want and destitution disappears from our picture. No estimate of social conditions can be complete,

however, which fails to recognise it, and to take account of its significance. We have dwelt on this fact already. We will now come back to it, taking it in connection with facts of another order, without reference to which it is, as a social phenomenon, unintelligible.

## SUB-SECTION V

## THE DISTRIBUTION OF WEALTH IN RESPECT OF ITS PROGRESSIVE CHANGES UNDER THE ECONOMIC CONDITIONS OF TO-DAY

### § 120. The growth and distribution of wealth regarded as a progressive movement

If anybody were asked which would give him most satisfaction—the assurance that he could count on a considerable income for the present year, with the knowledge that for ever after he would be reduced to comparative destitution, or the knowledge that, though for the present year it would be a struggle for him to make both ends meet, coupled with the knowledge that subsequently he would year by year grow richer, he would certainly vote for want with the prospect of plenty, rather than for momentary plenty with the prospect of increasing want. And what is true of individuals is true also of classes. Within certain limits such happiness as classes derive from their circumstances depends more on the direction in which they are able to assure themselves that they are moving than it does from the

actual position they occupy at the given moment. Consequently the subject with the discussion of which this volume opened was not so much the actual amount of the income of the poorer classes of this country as its astonishing increase, relatively to the number of the recipients, from the beginning of the nineteenth century up to the present time—a period during which, according to the popular doctrine of agitators, it has been exhibiting a decrease incurable except by some radical revolution.

It was shown, for example, by an examination of details, that the income per head of the classes here in question was, at the time of the first Duke of Wellington's death, about equal to what it would have been if the whole income of the country, from that of the King downwards, had been portioned out in equal shares amongst everybody at the time when the Duke of Wellington reached the age of twenty-one years, and this distributed income had ever since that date continued to increase in proportion to the increasing number of the population. It was farther shown that this same result since then has completed itself afresh at intervals varying from forty to fifty years ; or in other words, to speak roughly, that at any given moment, whatever may have been the income of all classes taken together, this income, as measured by the amount per head, would in less than two generations pass into the possession of the poorer classes alone, the subsequent income of the richer being practically a

new creation. At a subsequent stage of our inquiry this latter fact was examined in detail also. It was shown that the income of the richer classes of this country has, at any given moment during the past sixty years, except as regards a very small group of families, been practically the creation of the two or three preceding generations, this fact being specially noticeable with regard to the so-called "unearned" income, which, if not directly due to the efforts of its present recipients, represents the posthumous usufruct of the efforts of their fathers or their grandfathers. Thus the economic forces at work under the present system are constantly realising that seemingly Utopian result which intemperate dreamers imagine that they can bring about by reducing society to ashes, and then, after years of struggle, reconstructing it from its very foundations on principles which have never been tried, and with regard to which they themselves are in hopeless doubt and disagreement.

### § 121. The general progress obscured by the persistence of a residuum thus far excluded from it

The position of such men is rendered plausible by two facts only. One is that the growing diffusion of wealth fails to produce the rapture which the prophets of Socialism expect from it. The other is that from this diffusion of wealth a certain minority remains persistently and conspicuously excluded. The first of these facts is due partly to the nature of riches in themselves,

which causes them, as was just now observed, to lose as soon as they are diffused most of those qualities which strike the imagination when they are concentrated ; partly to certain characteristics of mankind, in virtue of which ameliorations of external circumstances, though they may produce satisfaction for a time by putting an end to privations the smart of which is still remembered, cease to do so as soon as the smart is forgotten, and merely leave the mind open to discontents of a new order.

The second of these facts, with which we are mainly concerned here—namely, the persistence in a progressive community of a class which fails to participate in a progress which is general otherwise, forms a problem so important and painful that it deserves on the one hand the most earnest and scientific attention of the statesman, and excuses most of the errors which it often suggests to the philanthropist. It is apt to form for the philanthropist as he estimates conditions in general, a kind of smoked glass through which sunshine looks like shade. Of the devotion of those who, with whatever errors of judgment, unselfishly give their lives to its alleviation, it would be in the highest degree reprehensible to speak otherwise than with respect. But where errors are frequent with regard to an important problem, it would be equally reprehensible to shrink from the endeavour to expose, and by exposing to correct them. The principal error which it is desired to signalise here is the suppo-

sition that because poverty still persists in a progressive society this disease is the product of conditions which otherwise produce health. What here requires to be emphasised is the antithesis of a supposition such as this—namely, that the poverty and wretchedness exhibited by a chronically non-progressive residuum are not, except incidentally and to a comparatively small degree, the result of conditions distinctive of the social system generally, but that they are, on the contrary, in medical language, idiopathic, which means that they are not symptomatic of any other disease, but are primarily due to the character of those who suffer from them themselves.

### § 122. The true remedy for poverty—its general nature indicated

The general moral to be drawn from such a conclusion is this—that the true and only remedy for the misfortunes of the class in question is to be sought for, not in any radical alteration of the structure and the vital processes of the social body at large, but in enabling or forcing a class at present excluded to become an integral part of an otherwise progressive system. Mr. Sydney Webb, who cannot be accused of neglecting the claims of the residuum, has recently had the courage and candour to make the admission, which cannot be acceptable to many who in other respects agree with him, that it is idle to regard the extremes of chronic poverty as having any direct connection with the concurrent existence

of wealth. We are here brought by implication to the root of the matter, which is this—that those who form the residuum owe the poverty which they experience, not to the fact that they are not given enough by others, but to the fact that they produce nothing, or not enough, for themselves. In striking contrast to the language of Mr. Sydney Webb is the statement made recently by a Socialist member of Parliament, who declared that "there is no way under Heaven by which the poor may be made richer than that which consists of making the rich poorer." This would mean that if a man, destitute for want of work, asked for assistance from a rich man in the street the only way under Heaven in which the latter could help the former would be by subsidising an enforced inefficiency, and so making it perpetual. There is another way under Heaven by which such a poor man may be made richer, and this way is the only way. It is, not by giving something to the poor man which is taken out of another man's pocket; but by enabling him, through his own exertions, to put something into his own. It is no doubt true that, as a mere temporary expedient, the method of pure donation —which, so far as it goes, does constitute some impoverishment of the rest of the community— may in many cases be necessary. Men who would otherwise have died, have been saved by a dose of brandy; but this fact would do nothing to justify the insane conclusion that such men when once they had been restored to health,

should live on raw brandy for the rest of their natural lives.

### § 123. Sporadic poverty, as distinct from the class poverty of the residuum

These observations apply, however, to that residuum of poverty only which is closely associated with defects or degradations of character, which make weak men the victims of circumstances that stronger men would surmount. It does not apply to poverty of that sporadic kind, to which allusion has been made already, and to which the strong are liable no less than the weak—that is to say, the poverty resulting from contractions of trade, and consequent epidemics of unemployment, by which workers possessing the highest skill and character may be no less injuriously affected than the most worthless or the least competent of their contemporaries. Here, however, we come to a subject the discussion of which, as has been observed already, would carry us into a region of political and fiscal speculation which lies outside the limits of the present volume. Nevertheless, in conclusion a few words may be said which will carry the mind of the reader into wider regions still.

### § 124. The probable limits of progress within any given geographical area

It has been here pointed out that, if the distribution of wealth in this country should continue to follow, for another forty or fifty years, the same

course that it has followed since the dawn of the nineteenth century, the poorer classes will, within that period, be dividing amongst themselves an income which, estimated by the average per head, will equal the average which would be yielded at the present time by an equal division of the income of all classes taken together. But a process such as this cannot go on indefinitely, at all events within a limited area such as that of the British Islands. Common sense imposes this conclusion on us, and all history illustrates it. Trading communities such as those of Venice, Florence, and Pisa, after long periods of growth in wealth and prosperity, have declined. In Germany and America this country now has rivals which were hardly recognised as such a short sixty years ago. The development of new countries, the discovery and utilisation of new forms and sources of mineral and vegetable wealth and the incalculable vicissitudes of war, may affect the commercial and industrial position of the United Kingdom (a position which is to an abnormal degree artificial) in such a way that a limit may rapidly be put to the number of inhabitants maintainable within its own area. This is not the place for the discussion of such a contingency; but the mere recognition of its indubitable possibility will be a wholesome corrective to the ideas of those persons who imagine that any Government can continue the prosperity of a nation merely by passing Bills which give everybody the right to work. No nation can prosper

—certainly no trading nation can prosper—by giving its citizens the right to produce and be paid for goods, the supply of which will in this way be necessarily in excess of the demand. Such a nation can prosper in one way only—namely, by continuing to produce goods of such a kind and quality, and so adapted to diverse requirements, that the general demand of the world for them shall be constantly in excess of the supply.

# INDEX


ABATEMENTS, number of in 1905, 54; proportion of, to number of incomes between £160 and £700, 55
Accuracy, degree attainable in national statistics, 3
Agent, uncertain significance of the word as used in certain statistics, 112
Agents, house, and auctioneers, number of, 112 *n.*
Agricultural labourers, wages of in 1800, 27; family income of, 100
Averages, practical significance of, as applied to classes, 8; individual variation from, 10; false averages can only be met by true averages of similar scope, 35

BOWLEY, Mr., coincidence of certain of his estimates with those of the present volume, 211; one important difference, 211

CANALS, number owned by companies, 132 *n.*
Capital owned by the working class, Mr. J. Quail's analysis of, 149, *n.*; distribution of, no index of distribution of incomes, 219
Capitalism on large scale, emphasised by Socialists in the modern type of enterprise, 228; differentiation between employers and employed, resulting from, 230
Census returns, loose definitions of occupations, use in, 107; of production, new facts revealed by, 207, 208, 209
Champagne, number of bottles consumed yearly, as a test for the distribution of incomes, 178 *n.*
Chemists, number of, 111 *n.*
Companies, number of, 123; gross profits of, 123; number of small, 123; number and profits of, 124, *table;* individual employers and earners trading as, 125; profits of larger, grouped, 127; capital of, and percentage of profits, 129; founders and controllers of, 128; individual earnings represented by, 131, *table*

DEDUCTIONS, income-tax, 62
Depreciation, insufficient allowance made for, by Inland Revenue Department. Mr. Iveson's observations, 64
Distribution, cost of as estimated by Sir R. Giffen, compared with estimates of the present volume, 213; existing, of nine-tenths of the national income, 248
Domestic servants, their wages not industrial, 232

EARNED incomes, popular meaning of the phrase, 104; general meaning of phrase, 192; inadequacy of current idea concerning, 193; house-rent as, 194; indirect or deferred, 197
Earnings, of male heads of labouring families, 44; of women, lads, and girls, 44; Sir R. Giffen's conclusions as to, tabulated, 45; estimates of Mr. Iveson and Mr. Money, 45 *n.*; of groups other than productive, 113, *table;* exceed-

ing £160 a year, general conspectus of, 133, *table;* of groups and total income, 134, *table;* wages and profits of the business of the country, 233; ratio of profits to wages, 233, 234; Socialistic estimates refuted by broad facts of the national income, 234; aggregate of larger businesses and of smaller, 236, 238, 239, *table*, 241
Education, cost of as estimated by Sir R. Giffen, compared with estimates of the present volume, 203
Employed, class of earners, an important definition, 107; manual, clerical, administrative, &c., 108
Employees, earning more than £160 a year, their number and aggregate income, 232
Employers, two classes of, productive and distributive, 108; productive, 113; agricultural, large and small, numbers and earnings of, 114; manufacturing, earnings of, 115; those assessed as "persons" and "firms," 119
Empty premises, deduction in respect of, 62
Estates, number of exceeding 100,000 acres, 164; number of, with an annual value exceeding £100,000, 164; number of, with an annual value exceeding £6,000, 162; under one acre, enormous annual value of, 164
Estimates, conjectures or guesses, as distinct from directly ascertainable figures, 220
Evasions, income-tax, estimates of, 64

Families, total number of, correspondence with total number of houses, 73
Family, the, as unit of computation with regard to amount and distribution of incomes, 42; domestic servants not living with, 42 *n.*; number of earners per, 43; working heads of, 43; subordinate working members of, 44
Family income, as unit for computation, reasons for adopting, 216
Farm houses, smaller, not specified separately in official returns (Table XIV.), 72
Farms, number of, of various sizes, 114
Farmers, large and small, their profits and wages paid by them, 236, 237
Farmers' profits, alteration made in calculating them in 1896, 114, 115
Financiers, bankers, &c., their total profits, 126; portion of national income represented by their earnings, 242
Foreign employees, their earnings to be included in British national income, 159, *table*
Foreign employees, wages paid to, in respect of British profits, 140; minimum amount of such wages estimated, 140
Foreign railways, British profits derived from, 142; ratio of profits to wages in America, 142
Fortunes, rarely remaining in the same family for many generations, 203
Founders' shares, a form under which principals in companies receive personal earnings, 128
Functionaries, or official class, total number of, 111

George, Henry, his complete delusion with regard to the relative growth of rent, 168; illustrated by the figures for this country since 1885, 169, *table;* on the interchangeability of capital, 197; hiatus in the logic of, 199; his great illusion as to rent, 199
Giffen, Sir R., some of his estimates compared with those of the present volume, 213

Hawkers, number of, 111 *n.*
Hotels, number of, 112
House-rent, average fraction of income for entire nation, 74; general minimum for families with more than £700 a year, 75;

expenditure on, of families with more than £5000 a year, 75
Houses, number of, below £20 in annual value, 69; number of, above £20 in annual value, 70; worth more than £60 classified according to rental values, 76; worth more than £300, 77; number of, per family, occupied by the richest class, 77–80; exceeding £10 in value and corresponding incomes, Mr. Bowley's estimates revised, 81, *table;* between £20 and £60 in value, and incomes of corresponding families, 82, 83, 84; objection to Mr. Bowley's estimate, 83; general survey of all in respect of value, and of family incomes corresponding to them, 84; average income of families assigned to each group of, tested by resultant aggregates, 88, 89, *table;* evidence of, as related to the expansion of the middle-class, 179; exceptional growth of those worth from £20–£25 a year, 180; peculiarities of London in respect of, 182; average number of persons per house for entire country, 182; average for London, 182; number of, in London, worth more than £60 a year, 183; number of in London worth less than £20 a year, 182; total number of all kinds, in London, 182; small proportion of in London worth less than £20 a year, 182; those in London worth from £25 to £40 a year, how occupied, 185–186; those occupied by more than one family, 184, 185, 186, 187, 188; of the entire country compared to rooms of various prices, in an hotel, 189; the class of, which is growing most rapidly, 191; proportion built since 1851, 196

Inaccuracies due to deficiencies of statistical data, 217
Income, national, its amount and distribution in 1800, 1850, 1866–93 and 1905, compared, 28; non-assessed (wage-earners and lower middle-class combined), 1886–1893, tabulated, 48; escaping assessment, because earned jointly, 49; assessed, gross amount received for purposes of assessment, 61; net total of, received by private persons, 62, 63, 64; of foreign origin, wages corresponding to, 223; easier method of dealing with both, 223
Incomes, non-assessed tabular synopsis of, 52; between £160 and £700, number of, as estimated by abatements granted, 54; number of, under-estimated by Mr. Bowley and others, 55; number of, assessed under Schedules D and E, 56; above £700, various estimates of, 60, *table;* over £700, number of, 65; various estimates compared 66; Mr. Bowley's table of, 67; estimated by number of houses, 68; number of, exceeding £5000 a year, 75; between £160 and £700, shown by houses to be more numerous than commonly estimated, 83; non-assessed, and houses below £20 in annual value, 85, *table;* probable, of families occupying houses of £20–£25 in annual value, 86; average given in this volume for each group, by the resulting totals as compared with income-tax returns, 89, *table;* lower middle-class, slightly under-estimated in Table VII., 91; general distribution of, shown in table drawn to vertical scale, 92; family, certain classes affected by absence of members in domestic service, 100; of persons and firms under £500 assessed under Schedule D, 118; between £500 and £700, assessed under Schedule D, 118; exceeding £700 assessed under Schedule D, 119; of the rich, tested by the number of male servants, 171; by the number of carriages and motors, 175; between £160 and £700, their

relation to houses worth from £20 to £60, 82, 83 ; below £160, their relation to houses worth less than £20, 85, *table ;* Mr. Bowley's difficulty with regard to, 86 ; Mr. Money's argument, 86 *n.* ; family, above and under £150, 92, *table ;* exceeding £700 a year, number of in London, as indicated by houses, 183 ; industrial and intellectual, 239, *table*
Industries, values produced per employee in twenty-five different, 208 ; seven, employing the same proportion of male labour, compared, 209
Ink, gum, and chemical industries compared with ship-building, in relation to values produced per employee, 208
Ironworks, number owned by companies, 132 *n.*
Labour-hours and value, Socialist theory with regard to, 207 ; refuted by figures given in the new Census of production, 208
Land, absurd miscalculation with regard to, 159 ; of London, alleged to be owned by eight men, 159 ; how owned in reality, 160 ; waste and almost valueless, immense extent of, held by large owners, 161 ; distribution of, amongst holders of more than one acre, 163 ; proportion of, held by peers, 163, 164
Lodging-house keepers, partial statistics with regard to, 110

Marx, his doctrine as to the growing impoverishment of the poor, and the elimination of moderate fortunes, 14 ; the doctrine deduced from the theories of Malthus and Ricardo, 12
Marxian doctrine of the distribution of wealth essentially a doctrine of averages, 14
Middle class, lower, aggregate income of, in 1886–93, 47 *n.*
Mines, profits of, 127 ; royalties according to Mulhall, 128 ; number of owned by companies, 132 *n.*
Motive, economic, not confined, to the life-time of the worker, 202
Motor-cars, growth of, and corresponding diminution of carriages, 176

New Doomsday Book, light thrown by, on distribution of unearned incomes, 158

Levi, Professor Leone, his estimates of working and middle-class incomes, 23

Over-assessments, deductions in respect of, 62

Pawnbrokers, number of, 111 *n.*
Persons and partners in firms and companies, earning less than £160, 145
Persons and private firms, analysis of assessments, 119 *n.* ; larger incomes earned by, 121 ; general analysis of incomes of, 122, *table ;* earning more than £5000 a year, 152
Pitt's estimate of national income and its distribution in 1798, 26
Poor, or "The poorer classes," what is meant by the phrase, 15 ; practically used by Socialists to deceive the employed classes as a whole, not only employed manual labourers, 16 ; actual progress of, requires to be dealt with historically, 17 ; evidence with regard to income of, at different dates, since the year 1800, 18 ; aggregate income of in 1886, 18 ; aggregate income of, in 1905, 19 ; aggregate income of, in 1850, 21 ; income per head of, at three periods compared, 24 ; income of, compared with income of all classes in 1800, 25 ; general historical conclusions, 30 ; present distribution of income of, 39
Porter's Revenue and Population Tables, used by Sir R. Giffen, 22
Poverty, a stratum of great, co-existent with an increase of wealth amongst the vast ma-

jority, 95; confusion between absolute and relative amount, 96; two kinds of, chronic and sporadic, 98; proportionate and absolute amount, 95, 96; chronic and sporadic, concluding observations on, 257
Primrose, Sir H., some of his estimates compared with those of the present volume, 211
Professional and distributive classes assessed under Schedule D, 113
Professional class, various grades of workers comprised in the 109; possessed of private means, 112; various classes comprised under name, 112; unearned income of, 145; in its widest sense, Sir R. Giffen's estimate of income of, compared with that of present volume, 214
Profits, under Schedule D, persons, firms, companies, 116; those not derived from productive businesses, 117; ratio of, to wages, Socialistic estimates of, shown to be impossible by the limits of the national income, 205; true ratio (approximate) of profits as a whole to wages as a whole, 206; commercial and industrial, gross and net, amount of to-day, 231; those of domestic origin 232
Public houses, number of, large and small, 112

Railways, home, profits of, 127; foreign, profits of, 127
Rates, interest of loans secured on, 128
Redistribution, scheme of, 244–252
Refreshment shops, number of, 111 *n.*
Rent, a constantly decreasing proportion of a growing national income, 169; absurd illusion regarding, 241; forms small fraction of national income, 242
Rental, net, of the United Kingdom, exclusive of buildings, 165; of sites, as distinct from buildings, in London, in provincial towns, and rest of country, 166
Retired from business, persons, number of, and incomes, 147; Mr. Bowley's estimates relating to, 147 *n.*
Rich, number of, unimportant from certain points of view, 245; aggregate income of, its proportion to the entire income of the country, 246; widest definition of, 247; more restricted meaning commonly attached to the word, 248, 249
Round numbers, use of, and resultant variations from true totals, 44 *n.*

Savings, national, in no case distributable as income, 251
Schedule D., assessments under at various dates, as compared with assessments under Schedule A, 172, 202
Servants, male, number of in 1905, 173; probable number of, in different classes of large establishments, 173, 174, 175; average number in London to every £100 of house-rent, 183
Ship-building, and metal industries, &c., compared with chemical industries, in relation to values produced per employee, 209
Shopkeepers, larger, estimated number of, 110; smaller, number of, 111
Shops, residential, 111
Silversmiths, number of, 111 *n.*
Small businesses, reasons why employers' profits seem to bear larger ratio to wages than in larger businesses, 238, 241 *n.*

Tobacco, number of persons licensed to sell, 111 *n.*

Unearned income, element of in profits of companies, 128; how defined and computed, 135; different estimates resulting from different methods of computation, 136; of classes with less than £160 a year, 137; component parts of, 138, *table;*

three questions relating to, 139; over-estimates of, their chief origin, 139; portion of, which results from foreign enterprise, 139; elements of in incomes exceeding £700, 148; of classes having more than £700 a year, 150; amount derived from lands and houses, 150; average per family for families with more than £700 a year, 222 *n.*

Unemployment, as a cause of poverty amongst normally prosperous workers, 102

Unoccupied persons, inconsistent classifications of, in different Census returns, 107 *n.*

Upkeep of houses and estates, deducted from gross income, 62

VALUES produced per employee in twenty-five different industries, 208 *table*

WAGE-EARNERS, Sir R. Giffen's analysis of, 1886-93, 41; groups of earning different amounts, 41

Waterworks, number owned by companies, 132 *n.*

Wear and tear of machinery, deducted from gross income, 62

Webb, Mr. Sidney, courageous assertion as to the causes of chronic poverty, 257

Wellington, Duke of, economic progress of the nation during his adult life, 254

Workers, semi-independent, a large and miscellaneous class, 109; other than manual, official, medical, educational, intellectual, &c., incomes produced by, 226, 227, 228

Workshops and factories, number of former as compared with number of latter, 241 *n.*

YACHTS, large, number of, as bearing on the number of very large fortunes, 178 *n.*

Printed by BALLANTYNE & CO. LIMITED
Tavistock Street, Covent Garden, London

UNIVERSITY OF CALIFORNIA LIBRARY
BERKELEY

Return to desk from which borrowed.
This book is DUE on the last date stamped below.

4 Mar'58MH

REC'D LD
FEB 19 1958

Due end of SPRING Quarter
subject to recall after — MAY 4 '72 8 5

REC'D LD JUN 8 72 -6 PM 11

LD 21–100m-9,'48(B399s16)476

290497

HB 401
.M3

UNIVERSITY OF CALIFORNIA LIBRARY